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IN THE  
**SUPREME COURT OF THE UNITED STATES**

OCTOBER TERM, 1976

No. ... **76-133**

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FRUEHAUF CORPORATION,  
Petitioner,

v.

TRUCK EQUIPMENT SERVICE COMPANY,  
Respondent.

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**PETITION FOR A WRIT OF CERTIORARI**

To the United States Court of Appeals  
for the Eighth Circuit

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JOHN A. BLAIR  
1500 North Woodward Avenue  
Birmingham, Michigan 48011  
Attorney for Petitioner

Of Counsel

EDWARD R. CASSELMAN  
HARNESS, DICKEY & PIERCE  
1500 North Woodward Avenue  
Birmingham, Michigan 48011

ROBERT A. BARLOW  
BARLOW, WATSON & JOHNSON  
1200 J Street  
Lincoln, Nebraska 68501

MILTON J. MEHL  
MEHL, WILLIAMS, CUMMINGS & TRUMAN  
20th Floor, Continental Life Building  
Fort Worth, Texas 76012



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### PETITION FOR A WRIT OF CERTIORARI To the United States Court of Appeals for the Eighth Circuit

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Now comes petitioner Fruehauf Corporation (hereinafter Fruehauf) and prays that this Court review a judgment of The United States Court of Appeals for the Eighth Circuit, affirming in part but modifying a judgment of the United States District Court for the District of Nebraska.

#### I. OPINIONS BELOW

The opinions of the courts below have not yet been reported, but are appended hereto.

## II. JURISDICTION

The judgment of the Court of Appeals of the Eighth Circuit sought to be reviewed was filed June 9, 1976.

No order respecting a rehearing or an extension of time within which to petition for certiorari has been filed.

Jurisdiction to review said judgment by writ of certiorari is conferred by 28 USC 1254 (1).

## III. QUESTIONS PRESENTED FOR REVIEW

### A. First Question

Should Section 43(a) of the Lanham Trademark Act of 1946 (15 USC 1125(a)) be construed to create an exception to the federal policy against monopoly of the configuration of an unpatented useful product?

This question arises because the courts below, in an action brought under Section 43(a) of the Lanham Trademark Act, have awarded to the plaintiff, Truck Equipment Service Company (hereinafter TESCO), profits realized by Fruehauf on sales of copies of a TESCO semi-trailer designed for hauling grain, basing that award on findings that the configuration of the trailer was non-functional and had acquired a secondary meaning in three states, notwithstanding an admission by TESCO that Fruehauf had not palmed off its trailers as those of TESCO and a holding by both lower courts that TESCO had suffered no damage.

## B. Second Question

Does it constitute a false representation within the meaning of Section 43(a) of the Lanham Trademark Act of 1946 to use a photograph of a competitor's product to promote the sale of a copy which is the same in appearance as and of equal quality to the original, where no damage was inflicted on the competitor and it is conceded there is no palming off of the copies as those of the competitor?

## IV. CONSTITUTIONAL PROVISIONS AND FEDERAL STATUTES INVOLVED

### A. Constitutional Provisions

Article I, Section 8. "The Congress shall have Power \* \* \*

(Clause 3) "To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes: \* \* \*

(Clause 8) "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries; \* \* \*

### B. Statutes

(1) Lanham Trademark Act of 1946, Section 43(a) (15 USC 1125(a)):

"Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the

same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation. \* \* \* July 5, 1946, c. 540, Title VIII; § 43, 60 Stat. 441."

(2) Section 2 of Sherman Antitrust Act (15 USC 2)

"Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce the several States, or with foreign nations, shall be deemed guilty of a felony, and, on conviction thereof, shall be punished by fine not exceeding one million dollars if a corporation, or, if any other person, one hundred thousand dollars or by imprisonment not exceeding three years, or by both said punishments, in the discretion of the court. As amended Dec. 21, 1974, Pub.L. 93-528, § 3, 88 Stat. 1708."

(3) Pertinent Portions of the Patent Act of 1952.

**35 USC 101:**

"Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title. July 19, 1952, c. 950, Section 1, 66 Stat. 797."

**35 USC 102(b):**

"A person shall be entitled to a patent unless—

\* \* \* \* \*

"(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or \* \* \* July 19, 1952, c. 950, Section 1, 66 Stat. 797."

**35 USC 103:**

"A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made. July 19, 1952, c. 950, § 1, 66 Stat. 798."

**35 USC 154:**

"Contents and term of patent.

"Every patent shall contain a short title of the invention and a grant to the patentee, his heirs or assigns, for the term of seventeen years, of the right to exclude others from making, using, or selling the invention throughout the United States, referring to the specification for the particulars thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof. July 19, 1952, c. 950, Section 1, 66 Stat. 804."



**35 USC 171:**

"Patents for designs.

"Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor, subject to the conditions and requirements of this title.

"The provisions of this title relating to patents for inventions shall apply to patents for designs, except as otherwise provided. July 19, 1952, c. 950, Section 1, 66 Stat. 805."

(4) Jurisdictional Statutes:

**28 USC 1254(1):**

"Cases in the courts of appeals may be reviewed by the Supreme Court by the following methods:

"(1) By writ of certiorari granted upon the petition of any party to any civil or criminal case, before or after rendition of judgment or decree; \* \* \* June 25, 1948, c. 646, 62 Stat. 928."

**28 USC 1338(a):**

"Patents, copyrights, trade-marks, and unfair competition.

"(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent and copyright cases. \* \* \* June 25, 1948, c. 646 62 Stat. 931."

**15 USC 1121:**

"The district and territorial courts of the United States shall have original jurisdiction and the courts of appeal of

the United States shall have appellate jurisdiction, of all actions arising under this chapter, without regard to the amount in controversy or to diversity or lack of diversity of the citizenship of the parties. July 5, 1946, c. 541, Title VI, § 39, 60 Stat. 440; June 25, 1948, c. 646, §§ 1, 32(a), 62 Stat. 870, 991; May 24, 1949, c. 139, § 127, 63 Stat. 107."

**V. STATEMENT OF THE CASE**

**A. The Cause of Action Alleged and the Defense Thereto.**

TESCO alleges that Fruehauf violated Section 43(a) of the Lanham Act (15 USC 1125(a)) by making and selling copies of TESCO's highway semi-trailer which is designed for hauling grain and by using in advertising a photograph of one of TESCO's trailers. The federal district court has original jurisdiction over such a claim under 15 USC 1121 and 28 USC 1338.

Fruehauf admits having copied the TESCO trailer and having used in advertising for a brief period, through inadvertence, a photograph of a TESCO trailer, but denies that it has violated the Lanham Trademark Act or any portion thereof. It is conceded by TESCO that Fruehauf has not palmed off its copies as those of TESCO; and the courts below concurred in finding that TESCO suffered no damages as a result of Fruehauf's activities.

Moreover, if its brief and inadvertent use of a photograph of TESCO's trailer constituted a violation of Section 43(a) of the Act (15 USC 1125(a)), that violation does not warrant the award to TESCO of profits earned by Fruehauf during periods before and after the period in which the photograph was used. The fact that the courts below awarded profits earned during a



two-year period *after* the offending advertising was withdrawn shows that the courts below were punishing the act of copying the TESCO trailer rather than the use of the photograph.

### **B. Statement of Pertinent Facts**

#### **(1) The Parties and Background.**

TESCO is successor to a partnership formed in 1963 to engage in the truck and trailer repair business in Lincoln, Nebraska. One of the founders, Ernest Churda, assumed sole ownership and incorporated the business in about 1966. In 1968, TESCO started building the hopper grain trailer involved in this suit, calling it the "Cornhusker 800." (Churda III, 7-9, 11-12, DX 1, PX 4) It is a large semi-trailer having twin hoppers that have sloping walls like two square funnels that extend down between the wheels of the tractor and the wheels at the rear of the trailer where they have bottom discharge openings for unloading. The TESCO trailers are prominently marked on three sides by "Cornhusker 800" name plates. (PX 7, Churda III, 25-27).

Fruehauf is a leading manufacturer of semi-trailers. It has two divisions engaged in that business, namely, the Fruehauf division, which has its headquarters in Detroit, and the Hobbs division of Fort Worth, Texas. These two trailer divisions operate autonomously. Each has its own engineering, manufacturing and sales organization, including its own sales branches and dealers, and they compete with each other for trailer business. The parent corporation provides financing and the facilities of a trailer testing laboratory in Detroit, but is otherwise not involved in day-to-day operations of the divisions. (Doyle V, 226-229; Biggers deposition of August 3, 1972, DX 5, 5-10, 14-15; Pappas VI, 488-489)

As will be seen, it was the Hobbs division that decided to manufacture and sell a copy of the Cornhusker 800, and only Hobbs made use of a photograph of the Cornhusker.

#### **(2) The Hobbs Division of Fruehauf Copied the TESCO Trailer.**

It was agreed by both parties that in about 1970 a greatly increased demand for hopper grain trailers arose, which exceeded the capacity of existing manufacturers. (Churda IV, 40 and 51; Churda deposition of June 5, 1974, 11; Doyle V, 230-231, Biggers deposition of August 3, 1972, 19; and deposition of April 3, 1974, 20). This prompted Hobbs to enter the hopper grain trailer business, in which it had not been engaged. Mr. Biggers, the manager of Hobbs, and Mr. Doyle, its chief sales executive, decided that in order to get a trailer on the market in a hurry, they would copy a hopper trailer design that had proven itself in use. (Doyle V, 233-234) This would save the substantial time required to design, build, test and possibly revise a new trailer.

After looking over the field, Hobbs ordered a Cornhusker directly from TESCO. It was delivered on October 15, 1970 (DX 17 and Bullard VI, 571-572), and by November 22, 1970 the decision had been made at Hobbs to begin production of copies (Jespersen IV, 144-147 and Doyle V, 235). The first Hobbs hopper grain trailer, designated Model HO 7101, was completed on December 21, 1970, followed by regular production and sale of the copies (Bullard VI, 573-574, DX 74). Beginning in August of 1971 the Fruehauf division started to sell the trailers (Spalding VI, 659-660, DX 76(a)), obtaining them from Hobbs, but sales by both divisions ended on June 14, 1973 in response to an injunction issued by the District Court (I, 64; App. 15).

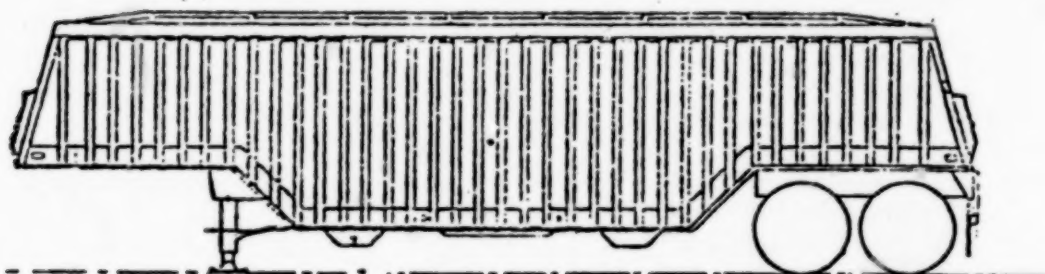
On April 28, 1975, when the District Court entered its final judgment, it amended the terms of the injunction "to authorize

manufacturing and selling by the defendant of trailers identical in appearance to the plaintiff's Cornhusker 800 trailer, if the defendant marks, advertises and sells its trailers as its own and refrains from using photographs or other representations of the plaintiff's Cornhusker 800 in its advertisements" (App. 30). On the appeal TESCO did not request that the original injunction be reinstated. (See footnote 1 to the decision of the Court of Appeals, App. 33.)<sup>1</sup>

(3) The Allegedly Distinctive Features of the Cornhusker 800

The courts below have held that the configuration of the Cornhusker had two features which were distinctive, nonfunctional, and has acquired a secondary meaning in the states of Nebraska, Iowa and Minnesota. These features are the sloping end walls and drop-center side walls, which give the trailer a side profile like this:

(DX 8(b))



<sup>1</sup> To avoid possible misunderstanding, while Fruehauf has not resumed sale of trailers similar in appearance to the Cornhusker 800, although now free to do so, it has never indicated that it would not do so in the future.

For the purpose of this petition, it may be assumed that these holdings are correct, although they were strenuously denied by Fruehauf in the lower courts.<sup>2</sup>

(4) The Configuration of the TESCO Trailer Had Passed Into the Public Domain Before It Was Copied by Fruehauf.

The first of TESCO's Cornhusker 800 trailers was sold on May 20, 1968 (DX 4 and Churda IV, 53). Accordingly, one year and one day later it passed into the public domain. This follows from the express terms of 35 USC Section 102(b) and the fact that no application for patent was ever filed. The first copy of that trailer was completed by the Hobbs division of Fruehauf on December 21, 1970.

Hopper trailers having both sloping end walls and drop-center side walls had also passed into the public domain ten years earlier by reason of the expiration of United States Patent No. 2,250,262, DX 62, a copy of which is incorporated in the Appendix at page App. 56.

<sup>2</sup> The Court of Appeals conceded (footnote 9 to opinion App. 40) that both features had been used in hopper grain trailers on the market before the TESCO Cornhusker 800 was designed, but pointed out that they had not been combined in a single trailer. In suggesting that the two features had not been combined in a single trailer, the court overlooked U. S. Patent No. 2,250,262 in evidence as DX 62 (App. 56). Moreover, the court rejected overwhelming evidence that these features had been used because of their functional advantages (Pappas VI, 448-462 and Jespersen IV, 123-136), and ignored an admission of TESCO's counsel that the sloping end walls were not a distinctive feature of the Cornhusker 800 (I 78, lines 4-6) and Mr. Churda's admission that the drop-center side wall has functional advantages (Churda IV, 33-38) and Churda deposition of Aug. 17, 1972, 20). Finally, the finding of a secondary meaning was based on the limited sale of only 50 trailers in a three-year period in the three states in which secondary meaning was found to exist. (PX 4)



- (5) The Evidence Which Supports the District Court's Finding That at Least 80% of Fruehauf's Sales Could Not Have Been the Result of the Appearance of the Trailer.

At the trial on the issues of monetary recovery, Fruehauf offered evidence to show that its sales of copies of the Cornhusker were manifestly not the result of the fact that it looked like TESCO's Cornhusker.<sup>3</sup>

According to Fruehauf witnesses, truckers are influenced to buy a trailer primarily by price, performance, the reputation of the manufacturer, functional features and the availability of service. Nonfunctional appearance features, if any, are of no interest (Doyle V, 245-246 and Jespersen IV, 163).

Secondly, when on June 14, 1973, Fruehauf was enjoined from making and selling copies of the Cornhusker, it was compelled to make a change in its appearance which increased the weight of the trailer to an undesirable degree (Pappas VI, 479-480). In spite of that, the sales of the modified trailer in the next six months were double those in the preceding six months (Bullard VI, 604-606 and 615, DX 84, DX 102; Spalding VI, 673-674; and Jespersen IV, 164).

Finally, a survey was made at the request of Fruehauf to ascertain what motivated purchasers of the trailers sold under the Hobbs and Fruehauf labels. It was made under the direction of Associates for Research in Behavior, of Philadelphia, a distinguished psychological research firm (Wallace V, 274-276). The fairness of the survey and the admissibility of the

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<sup>3</sup> This evidence was received on the strength of *Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co.*, 316 US 203, 206, 86 L.Ed. 1381, 62 S.Ct. 1022, in which this court in a trademark infringement case said: "The plaintiff of course is not entitled to profits demonstrably not attributable to the unlawful use of the mark."

reports of its results were not challenged in the District Court. The results of the survey as analyzed by Dr. Wallace clearly supported Fruehauf's contention that purchasers were not influenced by any nonfunctional appearance features (Wallace V, 302-333 and DX 70(a)-2 and DX 70(b)-2).

The District Court in its opinion dated April 28, 1975 said on this subject:

"A survey made at the request of the defendant of persons actually buying copies of the Cornhusker 800 made by the Hobbs Division and the Fruehauf Division of the defendant corporation convinces me that a substantial number of buyers did not buy for any reason related to the appearance of the Cornhusker 800 or for their knowledge of and comparison with the Cornhusker 800. A fair conclusion is that about 20 per cent of the purchases may well have been influenced by the appearance of the Cornhusker 800, either because they were attracted to or were familiar with the appearance of the copies, which were identical to the appearance of the Cornhusker 800. Put another way, there were about 20 per cent who the defendant has not shown to have been uninfluenced by the distinctive appearance of the Cornhusker 800 and its copies.

"Accordingly, it seems to me that the defendant should be required to pay 20 per cent of its profits from sales within the three-state area. That amount is \$27,580.12."

The Court of Appeals, without regard for the factual support for this ruling, held that all of the profits earned in the three-state area should be awarded. In reaching this conclusion, the Court of Appeals held in effect that the award of profits should not be limited to those that could be characterized as unjust enrichment, but should be increased to punish the wrongdoer. It should be noted that profits so calculated would include profits realized on the sales made prior to Hobbs' use of the photograph

in advertising, as well as all sales made during the two-year period *after all the offending advertising literature was withdrawn*, and all profits earned on sales by the Fruehauf division, which never used a photograph of the Cornhusker.

(6) Hobbs' Use of a Photograph of the Cornhusker.

Before Hobbs purchased the TESCO Cornhusker trailer, it had a customer in Fort Worth who said it would buy the Cornhusker if it would discharge fish meal. Accordingly, on October 15, 1970, the day the trailer was delivered to Hobbs, the Cornhusker labels were replaced with Hobbs labels<sup>4</sup> and the trailer delivered to the prospective customer (Doyle V, 243-244; Jespersen IV, 139-141; Bullard VI, 571-572 and DX 17, 18 and 19). Apparently the trailer was not able to handle the fish meal, because the trailer was returned within a few days (Jespersen IV, 141-143).

The first of the Hobbs Model HO 7101 trailers, which were copied after the Cornhusker, was completed on December 21, 1970. (Bullard VI, 85 and DX 74); and Mr. Porter, who was in charge of advertising at Hobbs, was asked to take a colored photograph of it for use in advertising. On December 23, 1970 he went to the Hobbs Fort Worth branch where he found a hopper trailer equipped with a blue tarpaulin and bearing Hobbs labels. He photographed that trailer assuming that it had been made by Hobbs and not knowing it was the Cornhusker 800 which had been equipped with Hobbs labels. (Porter IV, 94-97) On February 1, 1971 the TESCO trailer that had been photographed was sold (Jespersen IV, 219-220 and DX 23). Two months later, on April 7, 1971, the photograph was incorporated in an advertising leaflet (PX 22)

<sup>4</sup> According to the testimony, Hobbs customarily put its own labels on products made by other concerns when they were resold by Hobbs. The serial number plate which identified the manufacturer was not removed. (Doyle V, 243-244)

which was distributed to branches and dealers. (DX 13 and PX 24; Porter IV, 94)

No one at Hobbs realized that the Cornhusker trailer was shown in the photograph of PX 22 until a letter dated June 4, 1971 complaining of it was received from TESCO's counsel. Promptly thereafter, Hobbs disposed of all of the literature which contained photographs of the Cornhusker. (Doyle V, 237-238 and 242-243; DX 73). This was six months before this suit was filed.

It is not too surprising that no one detected the error. The two trailers look the same in photographs unless the photos are very closely studied. The differences can be detected if one familiar with minor details examines the photos with care, but the parties agree that a casual observer would detect no difference. (Jespersen IV, 150)

There is no evidence that the Hobbs copy of the Cornhusker trailer was in any way inferior to the Cornhusker; **and both Courts below so held** (I, 46; 4, App. 7, VI, 2-3, App. 33, fn. 2).

Any possible effect of the brief use of the leaflet PX 22 was significantly diluted by advertising materials previously distributed by Hobbs with pictures and photographs of the Hobbs-built Model HO 7101 trailers. Thus, on January 18, 1971 Hobbs sent to all branches and distributors catalog price sheets for the Hobbs trailer on the back of which was a drawing of the trailer. (DX 8(a) (b) (c) and (d) and 93; Doyle V, 238-241; Porter IV, 85-87). In addition, an extensive advertising campaign was launched on March 12, 1971 with a press release accompanied by three photographs of the Hobbs trailer which were sent to about fifty trade publications. (DX 9(c); Jespersen IV, 150-153; Porter IV, 87-92). Copies of that material were sent to all branches and dealers on March 19, 1971; and the press release and photos were published by at



least three trade magazines in April, May and June of 1971. (DX 10(a) (b) (c) and DX 11(a)-(d); and Porter IV, 92-94).

In August of 1971, Fruehauf division started to sell Model HO 7101 trailers built by Hobbs but carrying the Fruehauf label (Spalding VI, 659-660; DX 76(a)). This was after all use by Hobbs of photos of the Cornhusker had ceased. The Fruehauf division never used Cornhusker photographs. (Doyle V, 252). Its first advertising leaflet (PX 26) showed a Hobbs trailer bearing Fruehauf labels. It was first distributed in September of 1971. (Drouillard V, 267-268; Pappas VI, 447).

(7) The Lower Courts Concurred in Holding That There Was No Damage Inflicted on TESCO and No Palm-ing Off

Both courts below found that TESCO was not damaged by Fruehauf's conduct (App. 24-26 and 31, and App. 49).

Moreover, TESCO conceded and both lower courts concurred in holding that Fruehauf has not palmed off the copies as products of TESCO (App. 9, lines 4-6, and footnote 2 to opinion of Court of Appeals, App. 33). The fact is that all of Fruehauf's hopper trailers have prominently displayed the names Hobbs or Fruehauf, and the source of the trailer is clearly indicated in all advertisements. (PX 22 and 26; DX 8(b), 8(c), 9(c), 11(c), 14, 15(b) and 16(b)).

## VI. REASONS FOR GRANTING THE PETITION

### A. First Question

1. The decisions below conflict with the federal policy against the monopoly of useful products in the public domain as enun-ciated by decisions of this Court and the antitrust laws.

2. This Court has not yet ruled on the conflict between Sec-tion 43(a) of the Lanham Trademark Act of 1946, as con-strued by the courts below, and the federal policy against the monopoly of useful products in the public domain.

3. The decisions below conflict with decisions of the Courts of Appeal of the First, Second, Sixth and Ninth Circuits in cases brought under Section 43(a) of the Lanham Trademark Act of 1946 (15 USC 1125(a)), which permit copying of the configuration of a useful product, requiring only that the copier adequately identify the copy as his own.

4. The question is one of importance and is fraught with public interest.

### B. Second Question

The decisions of the courts below, to the extent they hold that Fruehauf's use of a photograph of the defendant's trailer gave rise to an action under Section 43(a) of the Lanham Act (15 USC 1125(a)), are erroneous and in conflict with decisions of the Courts of Appeal of the Second, Sixth and Seventh Cir-cuits.

## VII. ARGUMENT AS TO FIRST QUESTION

### A. The Decisions of the Courts Below Are in Conflict With the Federal Policy Against Monopoly of Useful Products in the Public Domain

#### (1) The Federal Policy.

The public interest in having competitive sources of identical useful products<sup>5</sup> has been protected by the antitrust laws<sup>6</sup> and numerous decisions of this Court which have allowed copying by competitors of the configuration of useful products on the market, even though they may incorporate distinctive features that have acquired a "secondary meaning" indicative of source. Collectively, the statutes and decisions enunciate what has been called a federal policy against monopoly. See *Kellogg Co. v. National Biscuit Co.*, 305 US 111, 119-122, 83 L.Ed. 73, 79-80, 59 S.Ct. 109 (1938); *Sears, Roebuck & Co. v. Stiffel*, 376 US 225, 11 L.Ed. 2d 661, 84 S.Ct. 784 (1964); *Compco v. Day-Brite Lighting, Inc.*, 376 US 234, 11 L.Ed. 2d 669, 84 S. Ct. 779 (1964), reh. den. 377 US 913, 12 L.Ed. 183, 84 S. Ct. 1162 (1965). The essence of the holdings of these decisions is that one may copy a competitor's product so long as he marks and markets it as his own.

See also *Fashion Originations Guild of America, Inc. v. Federal Trade Commission*, 312 US 457, 85 L.Ed. 949, 61 S.Ct. 703 (1941), in which this Court struck down, as a violation of the antitrust laws, activities of a trade association designed to

<sup>5</sup> In addition to the usual advantages to the public of having competitive sources of the goods it must buy, in this case, as pointed out in the Statement, the Hobbs division of Fruehauf was able to help satisfy an immediate demand for hopper grain trailers that TESCO and other manufacturers could not supply. It could not have acted swiftly if it had not copied an existing design that had met the test of several years' actual use.

<sup>6</sup> 15 USC, Sections 1 and 2. The Sherman Antitrust Act.

prevent "style piracy", i.e. the copying of original and distinctive designs of clothes for women, because it tends to create a monopoly and "to deprive the public of the advantages which flow from free competition," *id* at 466.

The only exception that has been recognized by this Court is the monopoly granted inventors under the patent laws. However, by Constitutional mandate<sup>7</sup> and statute<sup>8</sup> the patent monopoly is for a limited time. Moreover, the subject matter of this exception has been carefully restricted by statute<sup>9</sup> and by rulings of this Court to insure that only novel and unobvious inventions may be patented. In restricting the subject matter for which valid patents may be granted, this Court has emphasized the public interest against monopoly.<sup>10</sup> By striking down patents on all other innovations, this Court has allowed them to be copied by competitors.

The decision of the court below carves out *another* exception to the federal policy against monopolies of unpatented useful products, in that it forbids copying the configuration of a competitor's unpatented product if that *configuration* has features that are nonfunctional and have acquired a secondary meaning. Such a monopoly has no time limitation, since it can continue as long as the configuration is associated with a single source.

This Court outlawed a monopoly based on that ground in the *Sears* and *Compco* cases,<sup>11</sup> decided in 1964. In the *Compco* case, it said:

<sup>7</sup> Constitution, Article I, Section 8, Clause 8.

<sup>8</sup> Patent Act of 1952, 35 USC 154.

<sup>9</sup> Patent Act of 1952, 35 USC, Sections 102 and 103.

<sup>10</sup> *Graham v. Deere*, 383 US 1, 5-6, 15 L.Ed. 2d 545, 549-550, 86 S.Ct. 684 (1966).

<sup>11</sup> *Sears Roebuck & Co. v. Stiffel*, 376 US 225, 11 L.Ed. 2d 661, 84 S.Ct. 784 (1964); *Compco v. Day-Brite Lighting, Inc.*, 376 US 234, 11 L.Ed. 2d 669, 84 S.Ct. 779 (1964), reh. den. 377 US 913, 12 L.Ed. 183, 84 S.Ct. 1162 (1965).

"To forbid copying would interfere with the federal policy, found in Article I, Sec. 8, Cl. 8, of the Constitution and in the implementing federal statutes, of allowing free access to copy whatever the federal patent and copyright laws leave in the public domain."

While the *Sears* and *Compco* decisions dealt with the right of a state law of unfair competition to create a monopoly, the Constitutional grant of power to Congress to secure to inventors for "limited" times the exclusive rights to their inventions and discoveries is a limitation on the power of Congress, and thus expressly bars an interpretation of Section 43(a) of the Lanham Trademark Act that would permit creation of a monopoly of unlimited term on the configuration of a useful product that was not protected by patent.

Further light was cast on that point by this Court's decision in *Goldstein v. California*, 412 US 546, 560-561, 37 L.Ed. 2d 163, 176, 93 S.Ct. 2303 (1973), in which it was held that California had not violated the Article I, Section 8, Clause 8, of the Constitution by granting copyright protection against copying of recordings that was unlimited as to term, because that Constitutional clause was binding on Congress, not the states (412 US 560, 561). The Court in *Goldstein* went on to explain that the Supremacy Clause *did not* bar the California statute because Congress had not pre-empted the field of copyright on recordings as it had in the case of patents on inventions, and on that basis it distinguished *Sears* and *Compco*, "which we reaffirm today." (412 US 569-571)

In *Lear v. Adkins*, 395 US 653, 23 L.Ed. 2d 610, 89 S.Ct. 1092 (1969), in dealing with the conflict between federal law and the law of contracts that "forbids a purchaser to repudiate his promises simply because he later becomes dissatisfied with the bargain he has made", this Court said (395 US 668):

"On the other hand, federal law requires that all ideas in general circulation be dedicated to the common good

unless they are protected by a valid patent." (citing the *Sears* and *Compco* cases.)

The most recent expression of this Court on the subject is found in *Kewanee Oil Co. v. Bicron Corp.*, 416 US 470, 40 L.Ed. 2d 315, 94 S.Ct. 1879 (1974). There the court quoted with approval the above statement from *Lear v. Adkins*, *id* at 481, but held it did not apply to trade secrets because they were not in the public domain, *id* at 484.

In view of the foregoing, it is clear that the decisions in *Sears* and *Compco* are alive and well, and enunciate a doctrine that is based on a Constitution limitation that is binding on Congress. Hence it precludes a construction of Section 43(a) of the Lanham Act which would support a judgment punishing a manufacturer for copying his competitor's product.

(2) The Court Below Deliberately Rejected the Authority of This Court's Decision in the *Compco* Case.

In the court below, Fruehauf relied upon the following statement of the law from this Court's decision in the *Compco* case (234 US 238):

"That an article copied from an unpatented article could be made in some other way, that the design is 'nonfunctional' and not essential to the use of either article, that the configuration of the article copied may have a 'secondary meaning' which identifies the maker to the trade, or that there may be 'confusion' among purchasers as to which article is which or as to who is the maker, may be relevant evidence in applying a State's law requiring such precautions as labeling; however, and regardless of the copier's motives, neither these facts nor any others can furnish a basis for imposing liability for or prohibiting the actual acts of copying and selling."



The foregoing statement completely disposes of TESCO's case, but the court below dismissed the above language casually by saying: (App. 35)

"The language relied upon is dictum. The law of trademark and the issues of functionality and secondary meaning were not before the court. The focus of the court was the Supremacy Clause of the Constitution."

The language used was certainly *not* dictum. The Supreme Court in its opinion said: (376 US 238)

"It is true that the trial court found that the *configuration* of Day-Brite's fixture identified Day-Brite to the trade because the arrangement of ribbing had, like a trademark, acquired a 'secondary meaning' by which that particular design was associated with Day-Brite." (Emphasis added).

The Court of Appeals in that case had said:

"The capacity of the plaintiff's design to serve the plaintiff in somewhat the manner of a trademark does constitute a 'protectable' right.

"As noted, several choices of ribbing were apparently available to meet the functional needs of the product. The defendant did not avail itself of the other types but instead chose precisely the same design used by the plaintiff and followed it so closely as to make confusion likely," *Day-Brite Lighting, Inc. v. Compco Corp.*, 311 F.2d 26, 30, CA 7 (1962).

These findings of the courts below were accepted by this Court for the purpose of its decision in *Compco*, the rationale of which was set forth in the quoted statement that the Court of Appeals erroneously characterized as dictum.

(3) The Court Below Failed to Distinguish This Case From Those Involving Copying of Dress of Goods or Trademarks.

The courts below fell into error, at least in part, for failure to distinguish the present case, involving, as it does, copying of the *configuration* of a useful product, from cases in which the dress of goods or a trademark has been copied. Dress of goods is the form or decoration of the container in which the product is sold. Where the dress of goods has acquired a secondary meaning in that it has become an indication of source, it has been held that it cannot be copied by a competitor. *Federal-Mogul-Bower Bearings, Inc. v. Azoff et al.*, 315 F.2d 405, CA 6 (1963). Similarly, a trademark, whether registered or not, is merely a mark of origin and hence may not be copied by a competitor. Neither of these restrictions on competitive activity deprive the public of competitive sources for the *product itself*. However, the rulings below do deprive the public of competitive sources of a hopper grain trailer having a configuration like that sold by TESCO.

(4) The Court Below Failed to Distinguish the Good Will of a Manufacturer From the Good Will Associated With a Product.

The courts below also failed to distinguish between the good will of TESCO which is entitled to protection and the good will associated with the configuration of TESCO's unpatented trailer, which is in the public domain. It is conceded that Fruehauf has not palmed off its copies as those of TESCO (District Court, App. 9, and Court of Appeals footnote 2, App. 33) and therefore Fruehauf cannot have infringed upon the good will of TESCO. To the extent, if any, that the configuration of the TESCO trailer enjoyed any trade acceptance, the public was entitled to have competitive sources of trailers having that configuration. This distinction has been recognized by this Court.



See *Kellogg v. National Biscuit Company*, 305 US at 121-122, 83 L.Ed. at 80; and *Compco v. Day-Brite, supra*.

Notwithstanding the fact that there has been no palming off, the Court of Appeals made the statement:

“ . . . given the intent of Fruehauf to trade upon the reputation of TESCO, the inference that a likelihood of confusion would arise is inescapable.”

The assumption that Fruehauf intended to trade upon the reputation of TESCO is flatly inconsistent with the concession and holding that Fruehauf did not palm off its trailers as those of TESCO, unless this statement is construed to mean that Fruehauf expected to benefit from the favorable reputation of the Cornhusker trailer itself. Elsewhere in its opinion, the Court of Appeals *did* refer to an “intention to trade on the customer acceptance of the Cornhusker” (last sentence of footnote 13); (App. 46) and the District Court also referred to “the customer acceptance of the plaintiff’s trailer” (App. 10). Fruehauf flatly denies that it had any intention to trade on the good will of TESCO. That the trailer itself may have had some good will of its own is another matter altogether.

That the Court of Appeals incorrectly analyzed the evidence respecting the likelihood of confusion in the marketplace, unless it meant confusion *other than confusion as to source*, is shown by the first paragraph in Section II, 3, of its opinion (App. 47), in which it states “a likelihood of confusion would arise is inescapable” based on testimony “that consumers were continually asking to determine what, if any, differences distinguished the products of the two companies.” That testimony clearly showed that the “consumers” in question recognized that seemingly identical trailers were being made by *two different companies*. The consumers may not have known what were the differences *between the two trailers* (other than labels), but they were certainly not confused as to source.

**B. This Court Has Not Ruled on and Should Eliminate the Conflict Between Section 43(a) of the Lanham Act, as Construed by the Courts Below, and the Federal Policy Against the Monopoly of Useful Products.**

If, as held by the courts below, Section 43(a) of the Lanham Act authorizes monopolies in useful products that are not limited in time or restricted to “inventions,” that Act conflicts with Article I, Section 8, Clause 8 of the Constitution. The question raised by this conflict is whether Congress can create a monopoly under its Constitutionally granted power to regulate commerce, which would be forbidden by the Constitutional clause authorizing the grant of exclusive rights *for limited times* to inventors. The time limitation in Article I, Section 8, Clause 8, is clearly binding on Congress (See *Goldstein, supra*), and this Court has repeatedly held that monopolies not strictly within the terms of the Constitutional authorization are forbidden (*Graham v. Deere, supra*, and cases cited therein.)

In considering this question, a further fact to weigh in the balance is the Congressional prohibition of monopoly expressed in the Antitrust Laws, particularly 15 USC 1 and 2, which are also enacted under the authority of the Commerce Clause (Article I, Section 1, Clause 3), and protect a vital interest of the public.

It is a general rule of construction that, wherever possible, statutes should be construed to avoid conflict with other statutes. *Burlington Truck Lines v. United States*, 371 US 156, 9 L.Ed. 2d 207, 83 S.Ct. 239 (1962). Further, a statute which deals specifically with a subject should prevail over one that deals with the subject in general terms. *National Bank et al. v. United States*, 107 US 445, 27 L.Ed. 537, 2 S.Ct. 561 (1883). The same principles apply when different clauses of the Constitution are confronted. See *John M. Perry v. The United States*, 294

US 330, 79 L.Ed. 912, 55 S.Ct. 432 (1935), *Ziffrin, Inc. v. Reeves*, 308 US 132, 84 L.Ed. 128, 60 S.Ct. 163 (1939).

Applying these principles of construction, Section 43(a) of the Lanham Act, which prohibits certain misrepresentations, should not be construed to authorize a monopoly of unlimited term on the configuration of a useful product in the face of the antitrust laws which specifically outlaw monopolies, and in the face of Article I, Section 8, Clause 8, and the patent laws that implement that clause, and set forth the only exception to the federal policy against monopoly, and by implication forbid all other monopolies.

Section 43(a) of the Lanham Act can serve a useful purpose in prohibiting misrepresentations respecting the character of one's goods or their source by acts other than the mere copying of the configuration of a competitor's products where the copy is clearly marked and marketed as that of the manufacturer of the copy.

**C. The Decisions Below Conflict With Decisions in Four Other Circuits in Cases Brought Under Section 43(a) of the Lanham Act**

The courts below may have believed that the federal policy enunciated by this Court in the *Sears* and *Compco* cases prohibited monopolies created by state law, but did not forbid monopolies arising as the result of application of Section 43(a) of the Lanham Act (15 USC 1125(a)). That conclusion is in flat conflict with the following decisions of Courts of Appeal in the First, Second, Sixth and Ninth Circuits in cases brought under Section 43(a): *O'Day Corporation v. Talman Corp. et al.*, 310 F.2d 623, CA 1 (1962), affirming 206 F.Supp. 297, DCRI (1962); *Societe Comptoir, etc. v. Alexander's Department Stores*, 299 F. 2d 33, CA 2 (1962), affirming 190 F. Supp. 594.

SDNY (1961); *Rolex Watch Co. v. Ricoh Times Corporation*, 491 F.2d 877, CA 2 (1974); *Bose Corporation v. Linear Design Laboratories, Inc. et al.*, 467 F.2d 304, CA 2 (1972); *West Point Mfg. Co. v. Detroit Stamping Co.*, 222 F.2d 581, CA 16 (1955), cert. den. 305 U.S. 840; and *Smith v. Chanel, inc.*, 402 F.2d 562, CA 9 (1968). In each of the above cases, copying was held not to constitute a violation of Section 43(a) of the Lanham Act (15 USC 1125(a)), so long as there was no palming off. In all of them dated after 1964, reliance was placed on the Court's decisions in *Sears* and *Compco*.

**D. The Question Is One of Public Interest and Importance**

As this Court has pointed out on many occasions, the public has a vital interest in having competitive sources of the products it must buy. In addition, it is important for manufacturers to know whether they are free to copy their competitor's products, so long as they sell them as their own. Their right to do so has been thrown in doubt by the decision of the court below in this case.



## VIII. ARGUMENT AS TO SECOND QUESTION

"Does it constitute a false representation within the meaning of Section 43(a) of the Lanham Trademark Act of 1946 to use a photograph of a competitor's product to promote the sale of a copy which is the same in appearance as and of equal quality to the original, where no damage was inflicted on the competitor and it is conceded there was no palming off of the copies as those of the competitor?"

### A. There Is No Material Misrepresentation

Hobbs' purpose in using the photograph of the Cornhusker was to solicit orders for hopper trailers like that shown. This involved no misrepresentation because it is conceded that the trailers of the parties could not be distinguished by prospective customers in photographs.

The courts below held that use of the photograph violated Section 43(a) of the Lanham Act because it constituted a false representation that the trailer shown in the photograph had been made by Hobbs. This would be a reverse palming off, which seems quite harmless. Prospective customers would not expect to purchase the trailer shown in the picture, but one like it, so they would give no thought to the question of who made the trailer in the picture.

### B. False Representations Regarding a Competitor's Product Are Not Forbidden by Section 43(a) of the Lanham Trademark Act.

Insofar as pertinent here, Section 43(a) provides that any person shall be liable to civil action who

(1) uses a false representation in connection with goods  
and

(2) causes them to enter into commerce.

This conjunctive requirement has been construed to limit the section to false representations made with respect to goods of the party who makes the misrepresentations, since he is the only party who causes them to enter into commerce. Therefore, the section does not create a federal cause of action based on false representations respecting a competitor's goods. See *Fur Information & Fashion Council, Inc., et al. v. E. F. Timme & Son, Inc.*, 501 F.2d 1048, CA 2 (1974), cert. den. 419 U.S. 1022 (1974); *West Point Mfg. Co. v. Detroit Stamping Co.*, 222 F.2d 581, CA 6 (1955), cert. den. 350 US 840 (1955); *Bernard Food Industries, Inc. v. Dietene Co.*, 415 F.2d 1279, CA 7 (1969), cert. den. 397 US 912 (1970).

### C. The Decision of the Court Below Conflicts With Decisions in Other Circuits

While this Court has not had occasion to construe Sect. 43(a), the holding of the courts below that Hobbs' use of a photograph of the Cornhusker 800 trailer violated that section is in clear conflict with the decisions of the Courts of Appeal of the Second, Sixth and Seventh Circuits, cited immediately above.

The present case should be distinguished from those in which the defendant used a photograph of the plaintiff's product to advertise an *inferior* copy. In those cases, there is a false representation that the defendant's inferior product is like the plaintiff's product. This falls directly within the language of the Section 43(a). See *L'Aiglon, Inc. v. Lana Lobell, Inc.*, 214 F.2d 649, CA 3 (1954), and *American Optical Company v. Rayex Corporation*, 266 F.Supp. 342 SDNY (1966). In the present case, the courts below have held that the Hobbs copy was not inferior to the Cornhusker 800 (App. 7 and 33, fn. 2).

## IX. CONCLUSION

It is therefore submitted that certiorari should be granted on each of the foregoing questions to correct, in the case of the first question, a conflict with decisions of this Court and, with respect to both questions, to resolve conflicts with the Courts of Appeal in other circuits on principles of vital importance to the public.

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JOHN A. BLAIR  
1500 North Woodward Avenue  
Birmingham, Michigan 48011  
(313) 642-7000  
Attorney for Petitioner

Of Counsel

EDWARD R. CASSELMAN  
HARNESS, DICKEY & PIERCE  
1500 North Woodward Avenue  
Birmingham, Michigan 48011  
(313) 642-7000

ROBERT A. BARLOW  
BARLOW, WATSON & JOHNSON  
1201 J Street  
Lincoln, Nebraska 68501  
(402) 432-0188

MILTON J. MEHL  
MEHL, WILLIAMS, CUMMINGS & TRUMAN  
20th Floor, Continental Life Building  
Fort Worth, Texas 76012  
(817) 332-3211

# APPENDIX



**APPENDIX 1**

In the United States District Court  
for the District of Nebraska

Truck Equipment Service Company, a corporation,	} CV 72-L-114
vs.	
Fruehauf Corporation, a corporation, Defendant.	

Plaintiff,

**MEMORANDUM OF DECISION ON LIABILITY**

(Filed April 20, 1973)

Appearances: For plaintiff, Theodore L. Kessner  
For defendant, John Powers

**WARREN K. URBOM**, Chief Judge

A manufacturer of a hopper bottomed trailer seeks compensatory relief under the provisions of the Lanham Act, 15 U.S.C. § 1125(a), on the grounds that the defendant engaged in unfair competition by using for advertising purposes a photograph of the plaintiff's trailer to encourage sales of the defendant's trailer, and by copying the design of the plaintiff's hopper bottomed trailer, which was partially nonfunctional and which had acquired secondary meaning in the market place, thereby being afforded protection by the provisions of the Lanham Act.

Jurisdiction is based upon 15 U.S.C. § 1121 and 28 U.S.C. § 1338. The trial of this case has been bifurcated on the issues

of liability and the relief to be granted. Trial having been held on the issue of liability, the case with respect to liability is now ready for decision. This memorandum will serve as the court's findings of fact and conclusions of law regarding liability.

The plaintiff, Truck Equipment Service Company, of Lincoln, Nebraska, is the original manufacturer of a twin hopper bottomed grain or bulk commodity semitrailer featuring a twin hopper design and structure. The plaintiff has been selling his hopper bottomed trailer under the label "Cornhusker 800" in interstate commerce since 1968, when it produced six such trailers. Since 1969, the plaintiff has built and sold approximately 210 such trailers, and it continues to build the trailers for sale in interstate commerce. The market area has been and is the general midwestern section of the country, including the states of Nebraska, South Dakota, North Dakota, Minnesota, Iowa, Illinois, Missouri, Kansas, Oklahoma, Colorado, Wyoming, Texas and Wisconsin. The company has had no sales staff as such, but literature describing the Cornhusker 800 is sent on request and is picked up by persons visiting the premises of the plaintiff. The plaintiff has advertised the trailer in a trade publication several times and in the *Omaha World-Herald*, a newspaper of general circulation in Nebraska.

The interior design of the Cornhusker 800 consists of two separate compartments forming two square funnels. The exterior design is essentially trapazoidal in appearance, with the front and back panels of the trailer sloping slightly from the top of each panel outward to the bottom. The lower line of the side panels is not a straight line, parallel with and equidistant from the ground level at all points; it extends below the top of the wheels and is parallel with the ground between the rear wheels at a point several feet behind the front end, but rises above the wheels toward the rear and toward the front of the trailer (see Exhibit 3, a copy of which is attached to this memorandum). The sloping end panels and the design of the side

panels are the prime distinctive features of appearance of the trailer. The Cornhusker 800 is labeled by the plaintiff by three decals stating "CORNHUSKER 800, MFD. BY TRUCK EQUIPMENT SERVICE COMPANY, LINCOLN, NEBRASKA," on sheet aluminum riveted to the exterior walls of the trailer, one on each side near the front and one on the rear. The exterior design of the Cornhusker 800 is dictated in part by construction efficiency and in part by appearance. The exterior design is distinctive and unique and is used by the plaintiff to identify its twin hopper bottomed grain trailer and to distinguish it from those manufactured by competing manufacturers.

In August, 1970, the defendant, Fruehauf Corporation, through its Hobbs Division, purchased a Cornhusker 800 from the plaintiff and accepted delivery at Ft. Worth, Texas. Upon delivery in October, 1970, the defendant removed three labels which stated "CORNHUSKER 800, MFD. BY TRUCK EQUIPMENT SERVICE COMPANY, LINCOLN, NEBRASKA," and substituted labels stating "HOBBS." Photographs of the trailer were made by Hobbs personnel and sent to its branch personnel and distributors throughout the midwestern section of the United States, along with a letter dated November 23, 1970, in which the product sales manager of Hobbs Trailers stated that Hobbs was introducing the "HO-7101-39 Hopper Grain Trailer"; that the trailer "has been road tested in the field for the past three years and has been investigated by our Engineering staff and myself"; and, in describing the exterior design of the trailer, he stated:

"As illustrated by the attached pictures, the main body is constructed of a bridge-type construction, inducing a natural strength feature. The center drop services the main concentrated portion of the trailer giving additional wall height and strength. This feature also gives the trailer its own identification."

On December 21, 1970, Hobbs Trailers manufactured a hopper bottomed grain trailer, which it called its "New Free-Flow Hopper Grain Trailer from Hobbs." Prior to the production of this trailer, the management of Hobbs Trailers discussed the possibilities of either buying trailers from the plaintiff and distributing them or manufacturing a hopper trailer exactly like the Cornhusker 800. The second option was accepted, and Hobbs Trailers manufactured its hopper trailer as an exact copy of the Cornhusker 800. Later, certain changes were made by the defendant, including the installation of a different type of suspension, axles, landing gears, and using a different method of riveting the front nose section. These changes, however, did not alter the exterior appearance of the trailer, which is identical to that of the Cornhusker 800.

On December 23, 1970, two days after Hobbs Trailers had begun manufacturing its hopper bottomed trailer, photographs of the Cornhusker 800 trailer formerly purchased from the plaintiff were again taken by Hobbs. The defendant placed these photographs on sales literature distributed to its branch personnel and distributors, describing the hopper trailer pictured as being the "New Free-Flow Hopper Grain Trailer from Hobbs!"

The defendant, prior to June 16, 1971, sold 33 Hobbs trailers, manufactured by the defendant, for delivery in Kansas, Texas, Nebraska, Colorado, Iowa, Minnesota, Missouri, and Oklahoma. The hopper bottomed grain trailer built by the defendant, in addition to being marketed under the Hobbs label, is also marketed under the Fruehauf label. The Fruehauf Division has trailer sales outlets throughout the United States, including those comprising the plaintiff's market area.

To the present time the defendant continues to manufacture and market under both the Hobbs and Fruehauf labels a twin hopper bottomed grain trailer identical in exterior appearance to the Cornhusker 800 which it copied.

Before the defendant began manufacture of its trailers from the Cornhusker 800 design, the defendant's engineers evaluated the construction and design of the Cornhusker 800 and with respect to the front and rear sections of the trailer reported:

"The entire side skin of the rear of the trailer from the transition area back is useless. The way it is set up its only function will be to gather road dirt and mud. Either:

- a. Redesign the aft end with an appearance of one of Fruehauf's bulk trailers or
- b. Hinge the rear of the trailer, provide a back door and a floor as an additional selling point to haul limited packaged material instead of dead heading or
- c. Make the empty space a provision for spare tire and tarp storage.

\* \* \* \* \*

"See item 6—everything said about the rear is directly applicable to the front."

Notwithstanding the findings of the engineers of Fruehauf that the exterior design and style had no functional value and a recommendation at the time production was commenced that the exterior be redesigned "with an appearance of one of Fruehauf's bulk trailers," Fruehauf continued with production and sale of its hopper bottomed trailers identical in exterior appearance to the Cornhusker 800.

The exterior design and style of the Cornhusker 800 manufactured by the plaintiff was copied and imitated knowingly by Fruehauf even though Fruehauf knew that the exterior design was a unique and distinctive design feature of the plaintiff's trailers. The decision by Fruehauf to build a trailer identical in exterior configuration to the Cornhusker 800 was not based on engineering determinations.



The evidence shows that the exterior design and style of the Cornhusker 800, manufactured by the plaintiff, has attained a secondary meaning in the hopper bottomed grain trailer market and was generally recognized and accepted as the distinctive configuration used by the plaintiff to identify its Cornhusker 800 hopper bottomed grain trailer. At the time of the purchase and copying of the Cornhusker 800 by Fruehauf, Fruehauf had determined that the Cornhusker 800 was being successfully marketed by the plaintiff and had attained customer acceptance and recognition.

The imitating and copying of the Cornhusker 800 in exterior design and style has the effect of misleading and confusing potential customers.

#### DEFENDANT'S USE OF THE CORNHUSKER 800 PHOTOGRAPH

The plaintiff alleges that the defendant has engaged in unfair competition by distributing sales literature describing the "New Free-Flow Hopper Grain Trailer From Hobbs" which bears the photograph of the Cornhusker 800 trailer, in violation of § 1125(a) of the Lanham Act, which reads in part:

"Any person who shall . . . use in connection with any goods or services . . . a false designation of origin, or any false description or representation, including words or symbols tending falsely to describe or represent the same, and shall cause such goods to enter into commerce . . . shall be liable in a civil action . . . by any person who believes that he is or is likely to be damaged by the use of any such false description or representation."

The essence of the plaintiff's allegation is that the defendant misrepresented that the hopper trailer pictured on its sales literature was a new hopper trailer manufactured by Hobbs

Division of Fruehauf Corporation. The plaintiff contends that the defendant misrepresented the trailer,

"for the sole purpose of causing confusion and trading upon the reputation and customer acceptance belonging to [the plaintiff] and resulting from its distinctive exterior design."

Generally it has been held that § 1125(a) applies in situations where a defendant has used a photograph of another's product to sell its inferior and much less expensive product. See, *Zandelin v. Maxwell Bentley Mfg. Co.*, 197 F. Supp. 608 (U.S. D.C. S.D. N.Y. 1961); *L'Aiglon Apparel v. Lana Lobell, Inc.*, 214 F.2d 649 (C.A. 3rd Cir. 1954); *American Optical Company v. Rayex Corporation*, 266 F. Supp. 342 (U.S.D.C. S.D. N.Y. 1966), aff'd 394 F.2d 155 (C.A. 2nd Cir. 1968), cert. den. 393 U.S. 835 (1968); and *Crossbow, Inc. v. Dan-Dee Imports, Inc.*, 266 F. Supp. 335 (U.S.D.C. S.D. N.Y. 1967). There has been no showing that the defendant's hopper trailer is in any way inferior to or less expensive than the trailer manufactured by the plaintiff. The unfairness of the defendant's conduct, however, must be seen as using the photograph of the plaintiff's trailer to trade upon the reputation of the plaintiff and to confuse potential customers as to the source of origin of the trailer pictured on the sales literature. The defendant correctly asserts that in order for its use of the photograph to be actionable, there must be a showing that the image projected by the photograph had acquired an association in the mind of the public with the plaintiff's product. In other words, the external appearance of the plaintiff's trailer must have had a "secondary meaning," such that the public when viewing the photograph believed that it portrayed the plaintiff's product. One way of showing this is to prove that there is a likelihood of confusion as to the source of the trailer depicted in the photograph. *General Pool Corporation v. Hallmark Pool Corporation*, 259 F. Supp. 383 (U.S.D.C. N.D.

Ill. 1966). The plaintiff has shown that there was customer confusion as to the source of the trailer depicted in the sales literature put out by the defendant in January of 1971. The testimony of the plaintiff's president was that he first learned of the advertising literature of the defendant when a customer told him that a photograph depicting the Cornhusker 800 was on sales literature of the defendant. Other customers indicated this to the plaintiff's president as well. Although the evidence in that respect is not of massive quantity, I find that the evidence does show public confusion as to the source of the trailer pictured on the defendant's sales literature.

It is apparent that the defendant did not manufacture the trailer pictured on the sales literature in question, and it is also clear that the defendant did not design the trailer, because it was the plaintiff's product. Therefore, I conclude that the defendant is liable to the plaintiff for falsely representing that the trailer depicted was manufactured by the defendant and for misrepresenting the source of origin of the trailer pictured.<sup>1</sup>

#### DEFENDANT'S COPYING THE DESIGN OF THE CORNHUSKER 800

The plaintiff alleges that the defendant is liable for copying the unique design of the Cornhusker 800, which, although not copyrighted or patented, is nevertheless subject to protection on the theory that the design of the trailer acquired a secondary meaning in the marketplace.

The mere copying of an unpatented or uncopyrighted product is not actionable conduct unless there is a showing that the defendant palmed off the product or that the product had acquired a secondary meaning as to source, meaning that the public has been deceived into the belief that the defendant's

design is that of the plaintiff's. Cf. *Bliss v. Gotham Industries, Inc.*, 316 F.2d 848 (C.A. 9th Cir. 1963); *Shoppers Fair of Arkansas, Inc. v. Sanders Co.*, 328 F.2d 496 (C.A. 8th Cir. 1964).<sup>2</sup> The plaintiff has conceded that the defendant did not palm off the hopper trailer, and therefore there is no need to examine that issue. However, the plaintiff does claim that the defendant did deceive the public as to the source of the trailer, which necessitates an examination of the issue dealing with the secondary meaning, if any, associated with the plaintiff's product.

In determining whether secondary meaning has attached to the plaintiff's trailer, it is necessary to decide first whether the design of the Cornhusker 800 consisted partly of nonfunctional features. See, *Skinner Mfg. Co. v. General Foods Sales Co.*, 52 F. Supp. 432 (U.S.D.C. Neb. 1943, Delehant, J.), aff'd 143 F.2d 895 (C.A. 8th Cir. 1944). I am confident that the plaintiff has shown that portions of the hopper trailer were indeed nonfunctional. The engineers of Fruehauf evaluated the hopper trailer's design and noted that the sloping front and rear panels were "useless" in design since they served only to gather road dust. The engineers recommended that the panels be modified to look like panels on Fruehauf trailers, or that they be altered to serve as storage compartments. From photographs of other hopper trailers, competitors of the Cornhusker 800, it is clear that the sloping of the front and back panels is uniquely characteristic of the Cornhusker 800 trailers. The president of the plaintiff designed the exterior of the trailer to have a distinctive appearance. Further, in his cover letter to sales personnel and distributors, the sales manager of the defendant noted that the "center drop" of the trailer—the side wall extension between the front of the trailer and the rear wheels—"gives the trailer its own identification." From this it appears that the defendant recognized that certain aspects of the design, while nonfunctional, gave the Cornhusker 800 a unique appearance.



I conclude that portions of the Cornhusker 800 trailer exterior design are nonfunctional.

The second part of the test for determining secondary meaning is whether the unique design of the plaintiff's trailer indicates the origin of the trailer. As previously noted, several customers of the plaintiff identified the trailer pictured on the defendant's sales literature as being a Cornhusker 800. This suggests that the design of the hopper trailer was identified with the plaintiff.<sup>3</sup> Moreover, inferences can be drawn from the evidence that the design of the plaintiff's trailer had acquired customer identification. The evidence shows that the defendant did not manufacture a hopper bottomed trailer prior to 1970; that there were different types of hopper trailers which the defendant could have copied; that the Cornhusker 800 had a unique design; and that the defendant copied the most distinctively designed hopper trailer, even when the defendant's engineering staff indicated that portions of the design were useless. It might reasonably be said that the act of the defendant in adopting the design of the Cornhusker 800 indicated that it expected confusion as to origin and expected to profit from the customer acceptance of the plaintiff's trailer. See *Nortellito v. Nina of California, Inc.*, 335 F. Supp. 1288 (U.S.D.C. S.D. N.Y. 1972). I am convinced that the distinctive design of the Cornhusker 800 had acquired customer identification in at least a portion of the market area of both the plaintiff and the defendant. I need not make a finding at this time with respect to the geographical area within which the plaintiff's trailer had acquired a secondary association, as such a finding relates to the question of damages rather than of liability.<sup>4</sup>

The defendant's actions were deceptive and misleading, in that they tended to confuse the public about the origin of the hopper trailer. Moreover, the defendant copied the distinctive design of the plaintiff's trailer in order to trade upon the

customer acceptance of the design, which had acquired a secondary association with the plaintiff. See, *Federal-Mogul-Bower Bearings, Inc. v. Azoff*, 313 F.2d 405 (C.A. 6th Cir. 1963).

### CONCLUSION

For the foregoing reasons, I conclude that the defendant is liable to the plaintiff for engaging in unfair competition by using the photograph of the plaintiff's product on its advertising literature and for copying the distinctive design of the plaintiff's hopper bottomed trailer.

No judgment will be entered until trial regarding damages has been held.

Dated April 20, 1973.

By the Court

WARREN K. URBOM  
Chief Judge



**APPENDIX 2**

In the United States District Court  
for the District of Nebraska

Truck Equipment Service Company, a Corporation,	} Plaintiff,	CV 72-L-114.
vs.		
Fruehauf Corporation, a Corporation,	} Defendant.	

**MEMORANDUM ON APPLICATION  
FOR INJUNCTION**

(Filed June 14, 1973)

The plaintiff requests in filing No. 49 that this court enjoin the defendant from any further acts of unfair competition against the plaintiff, including manufacture, sale or delivery of any twin hopper bottomed grain or bulk commodity semitrailers in various states in which the plaintiff does business, which trailers have an exterior appearance the same as or deceptively similar to the exterior appearance of the Cornhusker 800 trailer manufactured by the plaintiff.

By memorandum of decision on liability, dated April 20, 1973, this court found that the defendant was liable to the plaintiff for having copied and used a photograph of the plaintiff's trailer, the Cornhusker 800, on its, the defendant's, advertising literature, and for having copied the distinctive design of the plaintiff's Cornhusker 800 trailer and manufactured trail-

ers identical in appearance to those manufactured by the plaintiff, in violation of the Lanham Act, 15 U.S.C. § 1125(a).

A hearing has been held on the matter of the plaintiff's application for injunction and evidence has been adduced. The evidence indicates that the defendant, beginning May 23, 1973, has altered the exterior appearance of its hopper bottomed grain or bulk commodity trailer by squaring off the previously slanted front and end panels and by beveling the corners of both the front and end panels. The defendant has maintained the feature of the extended side panel, which is that portion of the side panel which drops below the top of the wheels and is parallel with the ground between the rear wheels and a point several feet behind the front end. The appearance of the extended side panel has been altered, however, in that there now is a right angle at the junction where the panel below the top of the wheels joins the side panel above the top of the wheels, in contrast to the obtuse angle of the junction on the Cornhusker 800 trailer.

The defendant submits that by redesigning the hopper bottomed trailer it has ceased infringing upon the distinctive design of the Cornhusker 800 trailer. The plaintiff, on the other hand, maintains that the design of the defendant's trailer is deceptively similar to that of the Cornhusker 800, especially in light of the evidence that the side panel extension serves no function except ornamentation. The plaintiff seeks to enjoin the sale and manufacture of the redesigned trailer.

Having examined photographs of both the plaintiff's and the defendant's hopper bottomed trailers, I conclude that the design of the defendant's redesigned trailer does not infringe upon and is not the same as or deceptively similar in external appearance to the plaintiff's Cornhusker 800 trailer design. Therefore, no injunction will issue against the redesigned trailer of the defendant.

As to the matter of enjoining the sale of those trailers manufactured by the defendant which are identical in appearance to the Cornhusker 800, it seems reasonable to determine that the defendant should not be permitted to sell or deliver such trailers once it has been found, as it has by this court, that the copying of the plaintiff's design was in violation of the Lanham Act. Therefore, an injunction will issue against the defendant's selling or delivering to any person any hopper bottomed grain or bulk commodity trailer which is identical in appearance to the Cornhusker 800 trailer, shown in Exhibit 3 attached to the memorandum of decision on liability, filing No. 46, in the various states identified in the injunction.

An appropriate order will be entered today.

Dated June 14, 1973.

By the Court

WARREN K. URBOM  
Chief Judge

**APPENDIX 3**

In the United States District Court  
for the District of Nebraska

Truck Equipment Service Company, a Corporation,	Plaintiff,	} CV12-L-114.
vs.		
Fruehauf Corporation, a Corporation,	Defendant.	

**INJUNCTION**

(Filed June 14, 1973)

Pursuant to the memorandum of decision on liability, dated April 20, 1973, and the memorandum on application for injunction, dated June 14, 1973,

It Hereby Is Ordered that the defendant is enjoined, effective immediately upon the defendant's being informed of this injunction, from any further acts of manufacturing, selling or delivering any twin hopper bottomed grain or bulk commodity semitrailers in the states of Nebraska, South Dakota, North Dakota, Minnesota, Iowa, Illinois, Missouri, Kansas, Oklahoma, Colorado, Wyoming, Texas and Wisconsin, or any of such states, which semitrailers have an exterior appearance the same as or deceptively similar to the exterior appearance of the Cornhusker 800 twin hopper bottomed grain or bulk commodity semitrailer manufactured by the plaintiff, and for the purposes

of this paragraph it shall be considered that all twin hopper bottomed grain or bulk commodity semitrailers manufactured by or on hand for sale by the defendant prior to May 23, 1973, are the same as or deceptively similar in external appearance to the Cornhusker 800 manufactured by the plaintiff, but that twin hopper bottomed grain or bulk commodity semitrailers, Model HO7101, manufactured by the defendant on or after May 23, 1973, are not the same as or deceptively similar in external appearance to the Cornhusker 800 manufactured by the plaintiff.

Dated June 14, 1973.

By the Court

WARREN K. URBOM  
Chief Judge

**APPENDIX 4**

In the United States District Court  
For the District of Nebraska

Truck Equipment Service Company, a Corporation,	} Plaintiff,	CV72-L-114
vs.		
Fruehauf Corporation, a Corporation,	} Defendant.	

**MEMORANDUM AND ORDER ON MOTION FOR  
PROTECTIVE ORDER**

(Filed October 11, 1973)

This matter is before the court on the motion of the defendant for a protective order, filing No. 51.

By a memorandum of decision dated April 20, 1973, this court held that the defendant is liable to the plaintiff for engaging in unfair competition by using a photograph of the plaintiff's product on its advertising literature and by copying the distinctive design of the plaintiff's hopper bottomed trailer. The trial has been bifurcated on liability and damages, and the issue subsumed in the defendant's motion for protective order is whether the plaintiff is entitled to an accounting of profits and other damages from the defendant. If the answer is in the affirmative, then the defendant will be required to answer the interrogatories to which it now objects.



The defendant's liability was predicated upon § 1125 of the Lanham Act, 15 U.S.C. § 1051 et seq. As to damages, the plaintiff argues with some persuasion that § 1117 of the Lanham Act correctly sets forth the measure of damages to which the plaintiff is entitled:

"When a violation of any right of the registrant of a mark registered in the Patent Office shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. . . ."

A decision on the measure of damages in this case can hardly be predicated solely on the language of § 1117, in light of that section's declaring its applicability when there has been a violation of a right of "the registrant of a mark registered in the Patent Office." The plaintiff is not a "registrant" as that term is defined by the Lanham Act. Therefore, it is necessary to look beyond the language of § 1117.

It has been held that § 1125 of the Lanham Act established a federal law of unfair competition, which supplemented, rather than merely codified, the common law of unfair competition. *L'Aiglon Apparel v. Lana Lobel, Inc.*, 214 F.2d 649 (C.A. 3rd Cir. 1954); *Potato Chip Institute v. General Mills, Inc.*, 333 F. Supp. 173 (U.S.D.C. Neb. 1971), aff'd 461 F.2d 1088 (C.A. 8th Cir. 1972); and I Callmann, *Unfair Competition, Trademarks and Monopolies*, (3d ed.) § 18.2(b)(2), at 619. While § 1125 sets forth a statement on liability, which can be characterized as a cause of action for unfair competition based on false designation of origin, it does not set forth the remedies available to the successful litigant. Case authority suggests, indirectly, that the same measure of damages awardable under § 1117 of the Act is available under § 1125. See, *Gold Seal*

*Company v. Weeks*, 129 F. Supp. 928 (U.S.D.C.D.C. 1955), aff'd 230 F.2d 832 (C.A. D.C. Cir. 1956); *Maternally Yours v. Your Maternity Shop*, 234 F.2d 538 (C.A. 2nd Cir. 1956); *Parkway Baking Company v. Freihofer Baking Company*, 255 F.2d 641 (C.A. 3rd Cir. 1958); and cf., *Armstrong Co. v. Nu-Enamel Corp.*, 305 U.S. 315, 336 (1938). As one author noted:

"Damages have been granted by the courts, despite the lack of any specific authorization in section 43(a) [§ 1125] itself."

Warren S. Grimes, "Control of Advertising in the United States and Germany: Volkswagen has a Better Idea," 84 Harvard L. Rev. 1769 (June 1971)

The rationale for awarding damages and an accounting of profits in this case consists of two factors. First, the plaintiff in the present case has as significant an interest in protecting the distinctive design of its trailer, which has acquired a secondary meaning in the marketplace, as would a registrant of a trademark or trade name, and therefore fairness suggests a similar measure of recovery. The following language from IV Callmann, *Unfair Competition, Trademarks and Monopolies*, (3d ed.), § 89.1(b) (2), at 254, is instructive:

"The view that an accounting of profits is not a proper remedy for unfair competition as such, as distinguished from the infringement of a 'technical' trademark, seems to proceed from the concept that it is only the right to such a trademark that is a property right. Even though the property concept should be immaterial when the parties are competitors, there is still no justification for that approach. The goodwill involved in an unfair competition case is as significant a property interest as the 'technical' trademark. And, as a matter of authority, an accounting of profits has been as readily granted in the unfair competition case as it has in those involving a 'technical' trademark."

The second reason for allowing damages is that damages may serve to dissuade the defendant from similar conduct in the future, and may prevent unjust enrichment of the defendant. Commingled with this concept is the plaintiff's request for an accounting of profits. An accounting of the defendant's profits is an equitable remedy, and it should be granted

" . . . if the defendant is unjustly enriched, if the plaintiff sustained damages from the infringement, or if an accounting is necessary to deter a willful infringer from doing so again. *Monsanto Chemical Co. v. Perfect Fit Products Co.*, 349 F.2d 389 (2nd Cir. 1965), cert. denied 383 U.S. 942, 86 S. Ct. 1195, 16 L.Ed. 2d 206 (1966); *Dad's Root Beer Co. v. Doc's Beverages, Inc.*, 193 F.2d 77 (2nd Cir. 1951); *Maternally Yours, Inc. v. Your Maternity Shop*, *supra*; *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, *supra*; *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U.S. 251, 36 S. Ct. 269, 60 L. Ed. 629 (1916); *Maier Brewing Co. v. Fleischmann Distilling Corp.*, 390 F. 2d 117 (9th Cir. 1968), cert. denied 391 U.S. 966, 88 S. Ct. 2037, 20 L. Ed. 2d 879 (1968)."

*W. E. Bassett Company v. Revlon, Inc.*, 435 F.2d 656, 664 (C.A. 2nd Cir. 1970).

A loss of some or all of the profits made by the defendant from the wrongful infringement may be necessary to prevent unjust enrichment or to prevent a recurrence. An accounting is essential to a determination of that issue.

The principles contained in the following language from *Mishawaka Mfg. Co. v. Kresge Co.*, 316 U.S. 203, 206-207 (1941), are equally applicable to the present case, even though *Mishawaka* dealt with the Trade-Mark Act of 1905, 15 U.S.C. § 81 et seq.:

"The plaintiff of course is not entitled to profits demonstrably not attributable to the unlawful use of his mark. Cf. *Straus v. Notaseme Co.*, 240 U.S. 179, 183; compare

*Sheldon v. Metro-Goldwyn Corp.*, 309 U.S. 390; *Westinghouse Electric Co. v. Wagner Mfg. Co.*, 225 U.S. 604. The burden is the infringer's to prove that his infringement had no cash value in sales made by him. If he does not do so, the profits made on sales of goods bearing the infringing mark properly belong to the owner of the mark. *Hamilton-Brown Shoe Co. v. Wolf Bros.*, 240 U.S. 251. There may well be a windfall to the trademark owner where it is impossible to isolate the profits which are attributable to the use of the infringing mark. But to hold otherwise would give the windfall to the wrongdoer. In the absence of his proving the contrary, it promotes honesty and comports with experience to assume that the wrongdoer who makes profits from the sales of goods bearing a mark belonging to another was enabled to do so because he was drawing upon the good will generated by that mark. . . ."

While the defendant in *Mishawaka* was required to account for its profits even in the absence of a showing of bad faith or wilful infringement, the general rule today appears to be that damages and an accounting of profits should not be recoverable unless the court finds that the defendant acted wilfully and in bad faith. *Carl Zeiss Stiftung v. Veb Carl Zeiss Jena*, 433 F.2d 686, 707 (C.A. 2nd Cir. 1970); and IV Callmann, *Unfair Competition, Trademarks and Monopolies*, (3d ed.), § 89.2(a), at 269. In the present case the evidence shows that the defendant deliberately copied the distinctive design of the plaintiff's hopper bottomed trailer, and it cannot be said that the defendant believed that no likelihood of confusion as to the source of origin of the trailer would occur in the marketplace. The defendant chose to copy the most distinctively designed hopper trailer sold in the marketplace in an attempt to divert sales from other competitors who manufactured a less identifiable product. The defendant deliberately fed upon the identification factors which were intentionally designed into the Cornhusker 800 trailer by the plaintiff's president. Wilfulness and bad faith are clearly shown by the evidence of this case.



As to the specific measure of damages to which the plaintiff is entitled, I conclude that the plaintiff may recover actual damages sustained as a result of pecuniary loss to its business and such portion as equity requires of the defendant's profits on sales of hopper bottomed trailers which were identical in appearance to those manufactured by the plaintiff, but there must be no double recovery.

The pecuniary loss to the plaintiff's business may be actual diminution of profits because of the infringement or inability to expand because of the infringement. Only when that pecuniary loss, if any, is known through evidence and when the amount of the defendant's gain is known through an accounting can the court reach an equitable solution that will assure recompense to the plaintiff prevent unjust enrichment of the defendant, and guard against the defendant's yielding to the temptation of repeating its behavior in the future.

An accounting of the defendant's profits will be required. The defendant may make those deductions normally permitted in making its accounting. See, Hubbard, "Monetary Recovery Under the Copyright, Patent, and Trademark Acts," 45 Texas L. Rev. 953, 974-983 (1967); and *Obear-Nester Glass Co. v. United Drug Co.*, 149 F.2d 671 (C.A. 8th Cir. 1945).

No showing has been made by the defendant that answering interrogatory numbered 4 of the third set of interrogatories would be oppressive or unduly burdensome or prejudice it in its competitive dealings.

**IT THEREFORE IS ORDERED** that the motion for a protective order, filing No. 51, is denied.

Dated October 10, 1973.

By the Court

**WARREN K. URBOM**  
Chief Judge

**APPENDIX 5**

In the United States District Court  
for the District of Nebraska

Truck Equipment Service Company, a Corporation,	} Plaintiff.	} CV72-L-114.
vs.		
Fruehauf Corporation, a Corporation,	} Defendant.	

**MEMORANDUM ON AMOUNT OF RECOVERY**

(Filed April 28, 1975)

**Appearances:**

For plaintiff: Theodore R. Kessler

For defendant: Robert A. Barlow, Edward R. Casselman,  
John A. Blair

Urbom, Chief Judge

Trial on the issue of the amount of recovery for the plaintiff was held April 14, 15, 21, 22 and 23, 1975.

Additionally, the defendant's motions to amend terms of injunction, to reconsider ruling that plaintiff is entitled to monetary recovery other than nominal damages, and to limit the period for which the defendant must account, filing 109, have been considered, as well as the motion for new trial on the issue



of liability, filing 66. Those motions will be denied, except the motion to amend terms of injunction, which will be granted.

Generally, I reaffirm the findings of fact and conclusions of law set out in the memorandum of decision on liability, filing 46, dated April 20, 1973, and the memorandum and order on motion for protective order, filing 67, dated October 10, 1973.

By the memorandum of October 10, 1973, I held that the plaintiff may recover actual damages as a result of pecuniary loss to its business and such portion as equity requires of the defendant's profits on sales of hopper bottomed trailers which were identical in appearance to those manufactured by the plaintiff, but there must be no double recovery.

#### DAMAGES

Consideration of the evidence regarding damages persuades me that the plaintiff has not carried its burden of proving by a preponderance of the evidence that it suffered actual damage from the use by the defendant of photographs of the trailer manufactured by the plaintiff or copying and marketing copies of the plaintiff's Cornhusker 800 trailer, except for out-of-pocket expense in prosecuting this litigation.

The evidence regarding damage that could be said to have arisen from use of the photographs is unimpressive. A letter dated November 23, 1970, announcing the introduction of the Hobbs hopper grain trailer was sent by Lee Jespersen of the Hobbs Division to Hobbs branch and distributor sales personnel. Accompanying the letter were specifications which were not those of the Cornhusker 800 shown in the pictures which went with the letter, but were those of the Hobbs trailer. The photographs were not intended for circulation and were not circulated, although it is conceivable that prospective customers saw them at a Hobbs branch or distributor. No credible evi-

dence points to their having been seen by a prospective customer, however.

No Hobbs copy of the plaintiff's trailer was available at that time for sale.

A press release addressed to the public at large was sent on about March 12, 1971, to about fifty trade publications. The press release, together with photos of the Hobbs trailer, was published by at least three trade magazines in June, 1971. A leaflet which contained a colored photograph of the Cornhusker 800 was sent on about April 7, 1971, to all Hobbs sales personnel. On June 4, 1971, the plaintiff's counsel sent a letter to the defendant, complaining of the use of the photographs and the Hobbs Division promptly disposed of all literature which contained photographs of the plaintiff's trailer. I find it highly unlikely that the use of the offending photographs resulted in any sales to the damage of the plaintiff. Interspersing a very limited use of photographs of the plaintiff's vehicle with rather extensive advertising by Hobbs, which did not include photographs of the plaintiff's vehicle but did include photographs of the Hobbs vehicle, makes it probable that sales during the brief period of time during which the Hobbs Division used photographs of the plaintiff's trailer resulted, insofar as advertising material is concerned, from the literature which did not include photographs of the plaintiff's trailer.

With regard to damages arising from the copying and marketing of copies of the Cornhusker 800, it is significant, as pointed out by the defendant, that an unusual upsurge in the market for grain trailers occurred from 1970 through 1973. The plaintiff produced trailers as fast as the use which it chose to make of its facilities would permit, and it sold all that it produced. Part of the time it was behind in deliveries. There simply is no persuasive evidence that the competition of the defendant made an identifiable impact on the number of trailers which the plain-

tiff sold or could have sold. Although the plaintiff claims that it did not expand production facilities as rapidly as it wished because of fear of competition of the defendant, I conclude that the preponderance of the evidence does not support this assertion. From and after October, 1971, the plaintiff for a time had more facilities available for production of trailers than it actually used, preferring instead to use the additional facilities for its expanding service business, which was as profitable as the trailer-manufacturing business.

The plaintiff has had an out-of-pocket expense, exclusive of attorney fees, in litigating this case of \$2,699.18, as shown by plaintiff's Exhibit 47. It should recover that amount, but if any of that amount be repetitive of taxable costs, no double recovery should be had and the plaintiff must make certain that there is no duplication when it submits its bill of costs for the taxation of costs.

### PROFITS

As pointed out in my memorandum and order on motion for protective order, an awarding to the plaintiff of profits may be necessary to prevent unjust enrichment or to prevent a recurrence. It appears to me that such an award is necessary in this case. Of course, the plaintiff is not entitled to profits demonstrably not attributable to the unlawful use of the distinctive appearance of the Cornhusker 800, and the burden is upon the defendant to prove that the use of that distinctive appearance had no cash value in sales made by it. The significant attribute of this equitable remedy is the taking away of profits from the defendant, not the awarding of them to the plaintiff.

The geographical area in which it reasonably can be concluded that the plaintiff's Cornhusker 800 had received such widespread acceptance that the buying public attached to it an

identification of the plaintiff as the manufacturer is the three-state area of Nebraska, Iowa and Minnesota. The total sales by the defendant in that three-state area to the time of the entry of the injunction were of 204 trailers. On those 204 trailers the defendant made a profit of \$137,900.60. Although the plaintiff disputes the defendant's method of calculating its profit, I am satisfied that the calculation is correct, after hearing the defendant's witnesses and reviewing the documentary evidence regarding the method of calculation.

A survey made at the request of the defendant of persons actually buying copies of the Cornhusker 800 made by the Hobbs Division and the Fruehauf Division of the defendant corporation convinces me that a substantial number of buyers did not buy for any reason related to the appearance of the Cornhusker 800 or for their knowledge of and comparison with the Cornhusker 800. A fair conclusion is that about 20 per cent of the purchases may well have been influenced by the appearance of the Cornhusker 800, either because they were attracted to or were familiar with the appearance of the copies, which were identical to the appearance of the Cornhusker 800. Put another way, there were about 20 per cent who the defendant has not shown to have been uninfluenced by the distinctive appearance of the Cornhusker 800 and its copies.

Accordingly, it seems to me that the defendant should be required to pay 20 per cent of its profits from sales within the three-state area. That amount is \$27,580.12.

Additionally, some profit was made on resale of trade-ins which the Fruehauf Division and the Hobbs Division took as part of the purchase price of the copies of the Cornhusker 800 which they sold. Within the three-state area it appears that Fruehauf sold nine trade-ins at a profit of \$2,252.32. The exact number of trade-ins on which the Hobbs Division made a profit is unknown, but a reasonable calculation is that there were at

least 27 sales within the total 13-state area which constituted the plaintiff's market; that 43 per cent of the Hobbs Division sales of new trailers was in the three-state area of Nebraska, Iowa and Minnesota; that the same ratio can be applied to trade-ins, which would be 43 per cent of 27 or 12 trade-ins; that the profit on all trade-ins by the Hobbs Division was \$3,947.00, of which 43 per cent is \$1,697.21. The total profit, then, of the Fruehauf Division and the Hobbs Division on trade-ins in the three-state area was \$3,949.63. The plaintiff is entitled to 20 per cent of \$3,949.63, or \$789.91.

#### ATTORNEY FEES

Using 15 U.S.C. § 1117 as a guide, it appears to me that attorney fees should not be allowed. None is provided for by that statute, and it appears that generally none is allowed under that section unless it be in exceptional cases and for dominating reasons of justice. *Sanford Research Co. v. Eberhard Faber Pen & Pencil Co.*, 379 F.2d 512 (C.A. 6th Cir. 1967). The prime consideration is preventing unjust enrichment of the defendant and preventing a recurrence. Awarding of attorney fees does not appear to be necessary for either of those goals.

#### MOTION TO AMEND TERMS OF INJUNCTION

Considering the number of Cornhusker 800s which have been manufactured by the plaintiff since the plaintiff began its manufacturing operation up to the present time and the number of copies made and sold by the defendant, it is probable that it no longer can be said that the consuming public identifies the distinctive design of the Cornhusker 800 with the plaintiff. The defendant has requested that the injunction be modified to authorize manufacturing and selling copies of the plaintiff's Cornhusker 800 so long as the defendant marks, advertises and

sells its trailers as its own and refrains from using photographs or other representations of the plaintiff's Cornhusker 800 in its advertisements. That will be done.

Special mention should be made of the excellent quality of work done by present counsel in this long litigation. Their efforts to become intimate with the intricacies of the business of making and selling of trailers have been commendable and have resulted in advocacy at its finest.

Dated April 28, 1975.

BY THE COURT

WARREN K. URBOM  
Chief Judge



**APPENDIX 6**

In the United States District Court  
For the District of Nebraska

Truck Equipment Service Company, a corporation,	} Plaintiff,	CV72-L-114
vs.		
Fruehauf Corporation, a corporation,	} Defendant.	

**JUDGMENT AND ORDER**

(Filed April 28, 1975)

In accordance with the accompanying memorandum on amount of recovery,

**IT HEREBY IS ORDERED AND ADJUDGED:**

1. That the defendant's motions to amend terms of injunction, to reconsider ruling that plaintiff is entitled to monetary recovery other than nominal damages, and to limit the period for which defendant must account, filing 109, are denied, except the motion to amend terms of injunction;

2. That the motion to amend terms of injunction is granted, and the injunction dated June 14, 1973, is amended to authorize manufacturing and selling by the defendant of trailers identical in appearance to the plaintiff's Cornhusker 800, if the defendant marks, advertises and sells its trailers as its own and refrains from using photographs or other representations of the plaintiff's Cornhusker 800 in its advertisements;

3. That the plaintiff shall recover as actual damages the amount of \$2,700.18, consisting of nominal damages in the amount of \$1.00 and out-of-pocket expenses, exclusive of attorney fees, in the amount of \$2,699.18, and recovery of defendant's profits in the amount of \$28,370.03 and taxable costs, making the total judgment the amount of \$31,070.21 plus taxable costs.

4. That the plaintiff shall recover its taxable costs, but such taxable costs shall not include any duplication of any expense included within plaintiff's Exhibit 47; and

5. That the plaintiff's request for attorney fees is denied.

Dated April 28, 1975.

By the Court

WARREN K. URBOM  
Chief Judge

**APPENDIX 7**

United States Court of Appeals  
For the Eighth Circuit

Nos. 75-1415 and 75-1428

Truck Equipment Service Company, Appellant-Cross-Appellee, v. Fruehauf Corporation, Appellee-Cross-Appellant.	}	Appeals from the United States Dis- trict Court for the District of Ne- braska.
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Submitted: January 13, 1976

Filed: June 9, 1976

Before Heaney, Ross and Webster, Circuit Judges.

Heaney, Circuit Judge.

Truck Equipment Service Company (TESCO) is a closely held corporation, headquartered in Lincoln, Nebraska, engaged in the business of servicing and manufacturing semi-trailers. It is the original manufacturer of a twin hopper bottomed grain or bulk commodity semi-trailer featuring a twin hopper design and structure that has been sold in interstate commerce since 1968 under the label "Cornhusker 800." Fruehauf Corporation is a leading manufacturer of semi-trailers headquartered in Detroit, Michigan. It used photographs of the TESCO trailer in its sales literature to promote its entry into the hopper grain trailer market and copied the exterior design of the Cornhusker 800 in the manufacture of its own twin hopper bottomed grain semi-

trailer. The District Court held, upon the suit brought by TESCO, that these acts of Fruehauf constituted unfair competition under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), and awarded out-of-pocket expenses exclusive of attorneys fees, taxable costs, nominal compensatory damages, an accounting of profits and an injunction. The injunction was, however, later amended to permit Fruehauf to manufacture and sell two hopper bottomed grain semi-trailers with an exterior appearance identical to the Cornhusker 800. Both parties appeal. TESCO argues, in substance, that the relief awarded was inadequate.<sup>1</sup> Fruehauf argues, in substance, that the District Court erred in finding liability.

I

The District Court found that the exterior design of the Cornhusker 800 was unique, that portions of the design were non-functional, that the unique design had acquired a secondary meaning in the market place, that the actions of Fruehauf tended to cause confusion over the origin of the trailers and that Fruehauf had copied the exterior design of the Cornhusker 800 in order to trade upon the customer acceptance of the TESCO trailer.<sup>2</sup> Each finding is challenged by Fruehauf. It also makes a broader attack. Namely:

(1) The public interest in having competitive sources of identical utilitarian products makes copying privileged, even though

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<sup>1</sup> TESCO conceded at oral argument, without adopting the reasoning of the District Court, that the issue of whether the injunction should be reinstated is moot. Fruehauf is not currently copying the design of the Cornhusker 800, and there is no reasonable probability that it will do so in the future. Accordingly, our review is limited to the issues of liability and monetary relief.

<sup>2</sup> The Fruehauf trailer was not inferior in quality to the Cornhusker 800 and Fruehauf was not guilty of palming off. Each trailer manufactured by Fruehauf was labeled as a product of its Hobbs Division or Fruehauf Division.

the original incorporates nonfunctional features and has acquired a secondary meaning, when the copier clearly labels its product as its own and is not guilty of palming off; and

(2) Even if the use of the photographs of the Cornhusker 800 constituted a false representation, the use was not violative of § 43(a) of the Lanham Act.

A

Fruehauf's contention that it is privileged to copy the exterior design of the Cornhusker 800 is premised on the companion cases of *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964), and *Compco Corp. v. Day-Brite Lighting*, 376 U.S. 234 (1964). It relies particularly upon the following language from *Compco*:

That an article copied from an unpatented article could be made in some other way, that the design is "nonfunctional" and not essential to the use of either article, that the configuration of the article copied may have a "secondary meaning" which identifies the maker to the trade, or that there may be "confusion" among purchasers as to which article is which or as to who is the maker, may be relevant evidence in applying a State's law requiring labeling; however, and regardless of the copier's motives, neither these facts nor any others can furnish a basis for imposing liability for or prohibiting the actual acts of copying and selling. (Citation omitted.)

*Id.* at 238. Neither case is controlling here.<sup>3</sup>

<sup>3</sup> *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111 (1938); *American Rolex Watch Corp. v. Ricoh Time Corp.*, 491 F.2d 877 (2nd Cir. 1974) (per curiam); *Bose Corporation v. Linear Design Labs, Inc.*, 467 F.2d 304 (2nd Cir. 1972); *O'Day Corporation*

The language relied upon is *dictum*. The law of trademark and the issues of functionality and secondary meaning were not before the Court. The issue before the Court was whether state law could extend the effective term of patent protection granted by the federal statutes. The focus of the Court was the Supremacy Clause of the Constitution. See *Lear v. Adkins*, 395 U.S. 653, 668 (1969); *Boston Pro. Hockey Ass'n v. Dallas Cap & E. Mfg., Inc.*, 510 F.2d 1004, 1013 (5th Cir.), cert. denied, 46 L.Ed.2d 98 (1975); *Field Enterprises Educational Corp. v. Cove Industries, Inc.*, 297 F.Supp. 989, 995-996 (E.D. N.Y. 1969).

The protection accorded by the law of trademark and unfair competition is greater than that accorded by the law of patents because each is directed at a different purpose. The latter protects inventive activity which, after a term of years, is dedicated to the public domain. The former protects commercial activity which, in our society, is essentially private. As stated in *Application of Mogen David Wine Corporation*, 328 F.2d 925, 929 (C.C.P.A. 1964):

"[T]he law recognizes that the protection accorded to a design under the patent laws and that accorded to what amounts to a trademark under the common law doctrine of secondary meaning are separate and distinct, and that the rights conferred by law in the one in no way exclude the rights conferred by law in the other."

The underlying purpose and the essence of patent rights are separate and distinct from those appertaining to trade-

*v. Talman Corporation*, 310 F.2d 623 (1st Cir. 1962), cert. denied, 372 U.S. 977 F.2d 623 (1st Cir. 1962), cert. denied, 372 U.S. 977 (1963); *West Point Manufacturing Co. v. Detroit Stamping Co.*, 222 F.2d 581 (6th Cir.), cert. denied, 350 U.S. 840 (1955); and *J. C. Penney Co. v. H.D. Lee Mercantile Co.*, 120 F.2d 949 (8th Cir. 1941), upon which Fruehauf also relies, are equally inapposite. Either the issue presented was limited to the presence of palming off, or the design at issue was found to be functional and without secondary meaning.



marks. No right accruing from the one is dependent upon or conditioned by any right concomitant to the other. The longevity of the exclusivity of one is limited by law while the other may be extended in perpetuity.

Free competition is served in both cases.<sup>4</sup>

Full and fair competition requires that those who invest time, money and energy into the development of goodwill and a favorable reputation be allowed to reap the advantages of their investment. See *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 492, 493 (1974); 2 Callmann, *Unfair Competition, Trademarks and Monopolies* § 60.4(b) at 516 (3rd Ed. 1968). As the legislative history of the Lanham Act states:

Trade-marks, indeed, are the essence of competition, because they make possible a choice between competing articles by enabling the buyer to distinguish one from the other. Trademarks encourage the maintenance of quality by securing to the producer the benefit of the good reputation which excellence creates. To protect trademarks, therefore, is to protect the public from deceit, to foster fair competition, and to secure to the business community the advantages of reputation and good will by preventing their diversion from those who have created them to those who have not.

Senate Report No. 1333, 1946 U.S. Code Cong. Serv. 1275. To protect TESCO against the misappropriation of the exterior design of the Cornhusker 800, portions of which are nonfunctional and which is possessed of a secondary meaning, will be in furtherance of this Congressional purpose.<sup>5</sup> *Potato*

<sup>4</sup> TESCO acknowledges that Fruehauf is free to copy those portions of the exterior design of the Cornhusker 800 that are functional.

<sup>5</sup> A stated purpose of the Lanham Act is:

time, and money in presenting to the public the product, he Secondly, where the owner of a trademark has spent energy, time, and money in presenting to the public the product, he

*Chip Institute v. General Mills, Inc.*, 333 F.Supp. 173, 179 (D. Neb. 1971), *aff'd per curiam*, 461 F.2d 1088 (8th Cir. 1972); *L'Aiglon Apparel v. Lana Lobell, Inc.*, 214 F.2d 649 (3rd Cir. 1954). Contrary to the situation in *Sears* and *Compco*, there is in the instant controversy no conflict with federal statutory policy.<sup>6</sup> Fruehauf's contention that it is privileged to copy the exterior design of the Cornhusker 800 must fail.

## B

The contention that the use of photographs of the Cornhusker 800 in Fruehauf's sales literature is not a false representation prohibited by § 43(a) of the Lanham Act must also fail.

Fruehauf argues that its use of photographs of TESCO's product was privileged because its trailer was not inferior in quality to the Cornhusker 800 and because there was no evidence that its trailer was purchased by a consumer under the belief that the trailer was made by TESCO.<sup>7</sup> Fruehauf asserts that this absence of any misrepresentation of quality and palming off is fatal to TESCO's claim because § 43(a) prohibits only false representations by a party respecting its own product. The

is protected in his investment from its misappropriation by pirates and cheats.

Senate Report No. 1333, 1946 U.S. Code Cong. Serv. 1274. See *International News Service v. Associated Press*, 248 U.S. 125 (1918); *Mastercrafters C.&R. Co. v. Vacheron & Const.-LE C.W.*, 221 F.2d 464 (2nd Cir.), *cert. denied*, 350 U.S. 832 (1955).

<sup>6</sup> *Sears* and *Compco* recognized that a design protected by trademark cannot be copied. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231 (1964); *Compco Corp. v. Day-Brite Lighting*, 376 U.S. 234, 238 (1964). Trademark mark rights arise, of course, from use and not registration. *Sweetarts v. Sunline, Inc.*, 380 F.2d 923, 926 (8th Cir. 1967).

<sup>7</sup> The Cornhusker 800 photographed by Fruehauf was labeled as a product of its Hobbs Division, the TESCO labels having been removed.

misrepresentation of the photographs, that Fruehauf made the Cornhusker 800 therein depicted, is not of that nature.

Fruehauf's argument is premised upon a restrictive reading of the applicable law. It relies upon, *inter alia*, *Bernard Food Industries, Inc. v. Dietene Company*, 415 F.2d 1279 (7th Cir. 1969), *cert. denied*, 397 U.S. 912 (1970), for its proposition but fails to recognize the decision's limitation:

"But [§ 43(a)] should be construed to include only such false descriptions or representations as are of substantially the same economic nature as those which involve infringement or other improper use of trademarks. It should not be interpreted so as to bring within its scope any kind of undesirable business practice which involves deception, when such practices are outside the field of the trade-mark laws[.]"<sup>5</sup>

*Id.* at 1283, cited from *Samson Crane Co. v. Union National Sales, Inc.*, 87 F.Supp. 218 (D. Mass. 1949), *aff'd per curiam*, 180 F.2d 896 (1st Cir. 1950).

The deception practices by Fruehauf is of the same economic nature as trademark infringement. As stated by the District Court:

The unfairness of (Fruehauf's) conduct, however, must be seen as using the photograph of [TESCO's] trailer to trade upon the reputation of [TESCO] and to confuse potential customers as to the source of origin of the trailer pictured on the sales literature.

<sup>5</sup> Because Fruehauf's use of the photographs of the Cornhusker 800 falls within the limitation to the rule announced in *Bernard Food Industries, Inc. v. Dietene Company*, 415 F.2d 1279 (7th Cir. 1969), *cert. denied*, 397 U.S. 912 (1970), we have no occasion to adopt or reject the Seventh Circuit's decision that:

False advertising or representations made by a defendant about a plaintiff's product are not covered by section 43(a). (Citations omitted.)

*Id.* at 1283.

The use of another's product, misbranded to appear as that of a competitor, has been repeatedly found to be "a false designation of origin" actionable under § 43(a). The fact that the products are of equal quality is not of dispositional significance. *Middletown Manufacturing Co., Inc. v. Super Sagless Corp.*, 382 F.Supp. 979, 982 (N.D. Miss. 1974), *aff'd*, 515 F.2d 509 (5th Cir. 1975); *American Precast Corp. v. Maurice Concrete Prod., Inc.*, 360 F.Supp. 859, 864 (D. Mass. 1973), *aff'd*, 502 F.2d 1159 (1st Cir. 1973); *Ideal Toy Corporation v. Fab-Lu, Ltd.*, 261 F.Supp. 238, 242 (S.D. N.Y. 1966).

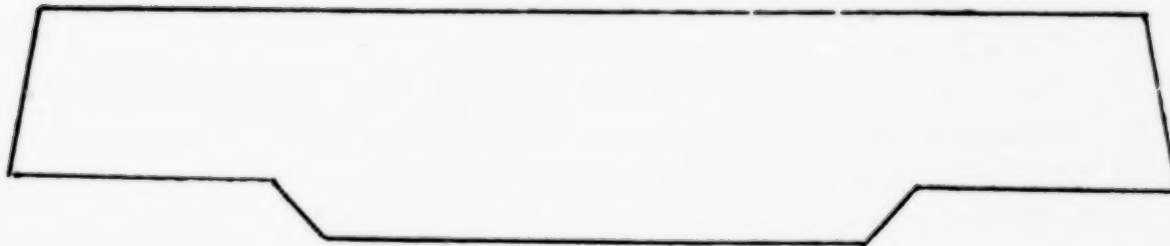
## II

Having rejected Fruehauf's broadside legal challenge to the judgment and order of the District Court, we turn now to review the assignments of error that are directed at the facts of the instant cause.

The exterior of the Cornhusker 800 is trapazoidal in appearance. The front and rear panels of the trailer slope from the top of each panel outward to the bottom of each panel. This feature has been described throughout the proceedings as the sloping-end walls of the trailer. The lower rail of the side panels presents to the eye a broken line; it is not parallel with and equidistant from the ground level at all points. Rather, it extends above the rear wheels, parallel with the ground, then slopes down and extends for several feet, in a line parallel with the ground, below the top of the rear wheels, then slopes up again at the front landing gears to extend in a line parallel with the ground and on the same plane as the line above the rear wheels. This feature has been described throughout the proceedings as the drop-center-side wall. These features in combination, the sloping-end walls and the drop-center side walls, gave the Cornhusker 800, prior to the copying by Fruehauf, an appearance dis-



similar to any other hopper bottomed grain semi-trailer on the market.<sup>9</sup> The side view outline of the trailer looks essentially like this:



A

The District Court held that the copying of the exterior design of the Cornhusker 800 was unfair competition because portions of the design were nonfunctional, the design had acquired a secondary meaning in the market place, and the actions of Fruehauf tended to confuse the public about the origin of the hopper trailer. *See Bliss v. Gotham Industries, Inc.*, 316 F.2d 848, 855 (9th Cir. 1963); *Federal-Mogul-Bower Bearing, Inc. v. Azoff*, 313 F.2d 405, 409 (6th Cir. 1963). As we said in *J. C. Penney Co. v. H. D. Lee Mercantile Co.*, 120 F.2d 949, 954 (8th Cir. 1941):

<sup>9</sup> By stipulation of the parties, the issues of liability and damages were tried separately. Fruehauf argues, on the basis of evidence received after the District Court's order finding liability, that the exterior design of the Cornhusker 800 cannot acquire trademark protection because other trailers have been designed with sloping-end walls and drop-center-side walls. The Cornhusker 800 is, however, aside from Fruehauf's copy, the only hopper bottomed grain trailer which combines these features. It is the overall design which the District Court found to be distinctive and possessed of a secondary meaning. *See Application of Minnesota Mining and Manufacturing Co.*, 335 F.2d 836, 837-838 (C.C.P.A. 1964). Discussion of the particular portions of the exterior design is relevant only to the issue of whether they are nonfunctional, thus making the exact copying of the exterior design prohibited.

[T]he law treats a non-functional aspect of goods as constituting in effect a mere form of merchandising or a business method. The law necessarily and naturally condemns any method of merchandising which unjustifiably tends to deceive or confuse the public. And so, in competitive goods, the appropriation of a non-functional aspect will generally be regarded as an improper method of merchandising and prohibited as unfair competition, in order to prevent probable deception or confusion of the public in the market.

Fruehauf contends that each finding of the District Court is clearly erroneous.

#### 1. Functionality *Vel Non*.

Our review of the District Court's finding of fact relative to the functionality *vel non* of the sloping-end walls and the drop-center-side walls of the Cornhusker 800 is, of course, guided by the applicable law. It is the rule that:

"Imitation of the physical details and design of a competitor's product may be actionable, if the particular features imitated are 'non-functional' and have acquired a secondary meaning. \* \* \* But, where the features are 'functional' there is normally no right to relief. 'Functional' in this sense might be said to connote other than a trademark purpose. If the particular feature is an important ingredient in the commercial success of the product, the interests in free competition permits its imitation in the absence of a patent or copyright. On the other hand, where the feature or, more aptly, design, is a mere arbitrary embellishment, a form of dress for the goods primarily adopted for purposes of identification and individuality and, hence, unrelated to basic consumer demands in connection with the product, imitation may be forbidden where the requisite showing of secondary meaning is made. Under such circumstances, since effective competition may



be undertaken without imitation, the law grants protection." (Citations omitted.)

*Bliss v. Gotham Industries, Inc.*, *supra* at 855, citing from *Pagliero v. Wallace China Co.*, 198 F.2d 339, 343 (9th Cir. 1952). *Accord*, *J. C. Penney Co. v. H. D. Lee Mercantile Co.*, *supra*.

The line between functionality and nonfunctionality is not, however, brightly drawn in every case. Some designs adopted for the purpose of identification are not wholly useless but perform a utilitarian function. Yet:

Where a shape or feature of construction is in its concept arbitrary, it may be or become a legally recognizable trademark because there is no public interest to be protected. In such a case protection would not be lost merely because the shape or feature also serves a useful purpose. (Citation omitted.)

*Application of Deister Concentrator Company*, 289 F.2d 496, 506 (C.C.P.A. 1961). *See also Application of Minnesota Mining and Manufacturing Co.*, 335 F.2d 836, 840 (C.C.P.A. 1964); *Application of Simmons Company*, 278 F.2d 517, 519 (C.C.P.A. 1960). The question in each case is whether protection against imitation will hinder the competitor in competition. *See Application of Hallaender Manufacturing Co.*, 511 F.2d 1186, 1188 (C.C.P.A. 1975); *Best Lock Corporation v. Schlage Lock Company*, 413 F.2d 1195, 1199 (C.C.P.A. 1969).

The District Court's finding that the sloping-end walls were nonfunctional was based principally upon the report of Fruehauf engineers which evaluated the construction and design of the Cornhusker 800. The report stated:

6. The entire side skin of the rear of the trailer from the transition area back is useless. The way it is set up its only function will be to gather road dirt and mud. Either:

a. Redesign the aft with an appearance of one of Fruehauf's bulk trailers or

b. Hinge the rear of the trailer, provide a back door and a floor as an additional selling point to haul limited packaged material instead of dead heading or

c. Make the empty space a provision for spare tire and tarp storage.

\* \* \* \* \*

21. See item 6—everything said about the rear is directly applicable to the front.

This clear statement of nonfunctionality was not seriously challenged by Fruehauf at the trial on the issue of liability. *See* note 9, *supra*. Indeed, other evidence was largely consistent with the conclusion of the report.

Ernest Churda, the sole stockholder of TESCO and the designer of the Cornhusker 800, testified that the Cornhusker 800 was designed to appear dissimilar from any other hopper bottomed grain trailer on the market. The appearance of the trailer was intended to be its principal selling point. Further, the testimony of Fruehauf's management showed that the decision to manufacture a trailer identical to the Cornhusker 800 was based on sales rather than engineering considerations. Indeed, no effort was made to determine whether the sloping-end walls of the TESCO trailer were functional or nonfunctional before the decision to copy its design was made. In the light of this testimony, we cannot say that the District Court's finding that the sloping-end walls of the Cornhusker 800 are nonfunctional is clearly erroneous. *See Application of Hallaender Manufacturing Co.*, *supra* at 1188; *St. Louis Typographical Union No. 8 v. Herald Company*, 402 F.2d 553, 557 (8th Cir. 1968). The evidence is consistent with the conclusion that the sloping-end walls of the Cornhusker 800, arbitrarily designed for the purpose of identification, were no more than merely incidentally functional.

The prohibition against the copying of them will not affect Fruehauf's competitive position in the marketplace.<sup>10</sup>

The District Court also found the drop-center-side walls to be nonfunctional. Again, the testimony of Churda was this design feature of the Cornhusker 800 was the result of his desire to manufacture a trailer of distinctive appearance, and that the same operational advantages could be achieved without the drop-center-side wall feature. No serious rebuttal to this testimony was presented by Fruehauf until the trial on the issue of damages. The District Court's finding that this feature of the Cornhusker 800 is also nonfunctional is not clearly erroneous.<sup>11</sup>

<sup>10</sup> Two years after the District Court's decision on liability, the trial on the issue of damages was held. See note 9 *supra*. At this second trial, Fruehauf introduced rebuttal testimony, over the objection of TESCO, which contradicted the report of its engineers relied upon by the District Court and the testimony of Churda that the end walls could be constructed differently without any effect on efficiency. The testimony was received for the limited purpose of showing Fruehauf's motive as that relates to the propriety of awarding an accounting of profits, *i.e.*, whether Fruehauf acted in good faith. Fruehauf attempts to improperly use this testimony on appeal for a different purpose: to show that the District Court's factual findings on the issue of liability are clearly erroneous.

If this testimony were considered by us on the question of liability, it would show no more than a conflict between the parties on the ability of Fruehauf to manufacture a trailer equivalent in operational efficiency to the Cornhusker 800 with construction methods different from those employed in the manufacture of the TESCO trailer. A conflict, we add, which is mitigated by the failure of Fruehauf witnesses to agree. Specifically, Fruehauf contends that the alternative construction method, a truss-type construction, would add undesirable weight to the trailer making it less salable. Yet, Fruehauf sales personnel testified that the TESCO trailer was too light for its purposes.

<sup>11</sup> The comments made in note 20 *supra* are equally applicable here. We note only that at the trial on the issue of damages, Fruehauf witnesses testified to the fact that transverse frame members which support the side walls and carry the hoppers connect in the drop-center area. It was also the testimony below that the functional advantages from this construction could be achieved without exact imitation of the drop-center-side wall design of the Cornhusker 800.

## 2. Secondary Meaning.

The exterior design of the Cornhusker 800 was found by the District Court to have acquired a secondary meaning because it indicates the origin of the trailer. We have previously stated the necessary elements to establish secondary meaning:

"[A] name, mark, or symbol by long and exclusive use and advertising by one person in the sale of his goods \* \* \* may become so associated in the public mind with such goods \* \* \* that it serves to identify them and distinguish them from the goods \* \* \* of others. When such an association exists, the name, mark, or symbol is said to have acquired a 'secondary meaning,' in which the original user has a property right which equity will protect against unfair appropriation by a competitor." \* \* \* "A trade-mark or a trade name may have acquired a secondary meaning in one locality but lack such a meaning in another."

*Shoppers Fair of Arkansas, Inc. v. Sanders Co.*, 328 F.2d 496, 499 (8th Cir. 1964), quoting from *Liberty Mutual Ins. Co. v. Liberty Ins. Co. of Texas*, 185 F.Supp. 895, 903 (E.D. Ark. 1960). See *Carter-Wallace, Inc. v. Proctor & Gamble Company*, 434 F.2d 794, 802 (9th Cir. 1970).<sup>12</sup>

<sup>12</sup> Fruehauf relies on *Kellogg Co. v. National Biscuit Co.*, *supra*, and *Skinner Mfg. Co. v. Kellogg Sales Co.*, 143 F.2d 895 (8th Cir.), *cert. denied*, 323 U.S. 766 (1944), for the proposition that a particular design or form or a particular name is incapable of acquiring a secondary meaning even through long and exclusive use with a single product. Its reliance is misplaced. In *Kellogg*, the Court found that the design or form at issue was functional and, hence, incapable of exclusive appropriation by a single manufacturer. In *Skinner*, the same result was reached because the name at issue was descriptive. The holding of these cases was not that the design or name had not acquired, in fact, associational significance in the marketplace but that the associational significance could not be accorded legal protection. As stated in *Application of Deister Concentrator Company*, 289 F.2d 496, 504 (C.C.P.A. 1961):

Again what [Fruehauf] fails to take into account is that as to some words and shapes the courts will never apply the



As previously stated, the exterior appearance of the Cornhusker 800 is, except for the copy of Fruehauf, dissimilar from any other hopper bottomed grain trailer on the market. The trailer was purposely so designed to serve as a badge of identification in the public mind. TESCO, without a sales organization, was dependent for sales upon the good reputation of its product, and the word-of-mouth recommendations of owners and operators. The record below amply supports the District Court's conclusion that there was customer identification. See *Neely v. Boland Manufacturing Co.*, 274 F.2d 195, 201 (8th Cir. 1960). The testimony of Churda, from TESCO, and Jespersen, from Fruehauf, was unequivocal that consumers associated the exterior design of the Cornhusker 800 with a single source, TESCO.<sup>13</sup>

Fruehauf argues, however, that consumers could not have associated the exterior design of the Cornhusker 800 as the product of TESCO because, after it entered the market, a similar trailer was made that was clearly labeled as the product of Fruehauf. This argument is a reformulation of the proposition that the law of unfair competition protects only against palming off or

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"secondary meaning" doctrine so as to create monopoly rights. The true basis of such holdings is not that they cannot or do not indicate source to the purchasing public but that there is an overriding public policy of preventing their monopolization. \* \* \* Public acceptance of a functional feature as an indication of source is, therefore, not determinative of right to register. Preservation of freedom to copy "functional" features is the determining factor.

This public policy against monopolization is absent when, as here, the design sought to be protected is nonfunctional.

<sup>13</sup> The District Court relied upon, in addition to the direct testimony, the inference of secondary meaning which arose from the fact that Fruehauf copied the exterior design of the TESCO trailer exactly without attempting to determine whether any portions thereof were nonfunctional. See *Audio Fidelity, Inc. v. High Fidelity Recordings, Inc.*, 283 F.2d 551, 558 (9th Cir. 1960). The finding that Fruehauf intended to trade upon the customer acceptance of the Cornhusker 800 is not clearly erroneous.

misrepresentation. The law of unfair competition, however, protects also against misappropriation. See *International News Service v. Associated Press*, 248 U.S. 215, 242 (1918); note 5 *supra*. As the Supreme Court has said:

The fault in the reasoning lies in applying as a test the right of the complainant as against the public, instead of considering the rights of complainant and defendant, competitors in business, as between themselves.

*Id.* at 239.

Fruehauf's further argument that secondary meaning could not have attached to the exterior design of the TESCO trailer because the number of trailers sold were relatively few and because advertising was minimal is also unavailing. Clearly, those factors are relevant. *Flavor Corporation of America v. Kemin Industries, Inc.*, 493 F.2d 275, 284 (8th Cir. 1974). But, in the light of the testimony that consumers associated the exterior design of the Cornhusker 800 with TESCO, their importance relates to the extent of the geographical area in which secondary meaning had attached. See *infra*.

### 3. Likelihood of Confusion.

The District Court's finding that the Fruehauf imitation of the Cornhusker 800 caused a likelihood of confusion in the marketplace is also not clearly erroneous. See *Electronic Com'ns, Inc. v. Electronic Component for Ind. Co.*, 443 F.2d 487, 491 (8th Cir.), *cert. denied*, 404 U.S. 833 (1971). The testimony below was that consumers were continually asking to determine what, if any, differences distinguished the products of the two companies. Moreover, given the intent of Fruehauf to trade upon the reputation of TESCO, the inference that a likelihood of confusion would arise is inescapable. See *Mastercrafts C. & R. Co. v. Vacheron & Const.-LE C.W.*,



221 F.2d 464, 467 (2nd Cir.), *cert. denied*, 350 U.S. 832 (1955); note 13 *supra*.

Fruehauf's reliance upon the fact that its trailer was labeled as its own product and sold through its own channels of distribution is not only misplaced, but also self-defeating. Actual confusion is not the test. Nevertheless, as observed by the Second Circuit, such a marketing practice by a dominant figure in the market tends to promote rather than ensure against confusion. *W. E. Bassett Company v. Revlon, Inc.*, 435 F.2d 656, 662 (2nd Cir. 1970). Indeed, it could be concluded, upon the basis of Churda's testimony, that the acts of Fruehauf caused actual confusion in that rumors were about that Fruehauf had purchased TESCO.

### B

The District Court also held that the use by Fruehauf of photographs of the Cornhusker 800 in its sales literature was unfair competition. Its finding that this constituted a false representation of origin is supported by the record. Similar conduct has been frequently found to be violative of § 43(a) of the Lanham Act.<sup>14</sup> See cases cited at slip op. 9 *supra*.

### III

TESCO was awarded as damages: (1) out-of-stock expenses exclusive of attorneys fees; (2) taxable costs; (3) nominal compensatory damages resulting from the use by Fruehauf of photographs of the TESCO trailer and the marketing of trailers with

<sup>14</sup> It is argued that because the Hobbs Division and not the Fruehauf Division of Fruehauf used the photographs in its sales literature, the latter division should not be liable therefor. We find it unnecessary to consider the argument because the Fruehauf Division is also liable for marketing trailers with the exterior appearance of the Cornhusker 800.

the same exterior appearance as the Cornhusker 800; and (4) twenty percent of Fruehauf's profits from sales and trade-ins made in Nebraska, Iowa and Minnesota. Items (1) and (2) are not challenged on appeal. TESCO contends that items (3) and (4) are inadequate. Fruehauf contends that item (4) is excessive.

The award of nominal compensatory damages was one dollar. During the period of infringement, prior to June 14, 1973, TESCO sold all of the trailers it could manufacture. The award is challenged because it fails to compensate for lost post-infringement sales. TESCO contends that but for the infringement, it would have expanded its production facilities during the infringement period and would have been able to sell the additional trailers thus manufactured in the post-infringement period. The District Court found to the contrary. The failure to expand the production facilities was the result of TESCO's decision to expand, instead, its service facilities which were equally as profitable. That finding is not clearly erroneous.

TESCO also challenges the limitations put upon the award of profits. The limitations reflect the District Court's findings that only twenty percent of Fruehauf's profits were attributable to its unlawful use of the distinctive appearance of the Cornhusker 800 and that there was customer identification of the TESCO trailer in only the three states of Nebraska, Iowa and Minnesota. Thus limited, TESCO received \$28,370.03. Each limitation is challenged as erroneous. We consider them in reverse order.

The scope of protection accorded TESCO against the acts of Fruehauf is limited to the geographical area of actual product market penetration. As said by this Court in *Sweetarts v. Sunline, Inc.*, 380 F.2d 923, 929 (8th Cir. 1967):

Though the market penetration need not be large to entitle plaintiff to protection \* \* \* it must be significant enough

to pose the real likelihood of confusion among the consumers in that area between the products of plaintiff and the products of defendants. (Citations omitted.)

TESCO asserts that it is entitled to protection in a thirteen-state area comprising: Nebraska, South Dakota, North Dakota, Minnesota, Iowa, Illinois, Missouri, Kansas, Oklahoma, Colorado, Wyoming, Texas and Wisconsin.

Prior to the entry of Fruehauf into the market, TESCO had sold seventy-two Cornhusker 800's. Nineteen were sold in Nebraska, seventeen in Iowa and fourteen in Minnesota. The remaining twenty-two sales were made in six of the other ten states. No sales were made in Missouri, Oklahoma, Wyoming or Wisconsin. TESCO's advertising during this period was limited to occasional ads in an Omaha, Nebraska, newspaper of general circulation. The record is clear that the sales outside of Nebraska, Iowa and Minnesota were so inconsequential that any market penetration was *de minimus*. See *id* at 929.

TESCO argues, however, that the importance of the points of purchase is minimized by the fact that the Cornhusker 800 is a mobile product. It is seen and its merits are discussed by owners and operators in whatever state it travels. This word-of-mouth advertising, TESCO contends, operates to expand the area of market penetration.

No doubt this form of advertising was important. It may be the cause, at least in part, for the fact that TESCO's volume of sales increased each year. But trademark rights are not acquired by advertising alone; they are acquired by the use of a mark in connection with the sale of the product. *Flavor Corporation of America v. Kemin Industries, Inc.*, *supra* at 284. The District Court correctly, on the basis of the applicable law and the record facts, limited the area of market penetration to the three states of Nebraska, Iowa and Minnesota and did not err in denying profits for sales made outside of those states.

The further limitation was imposed to insure that the amount of profits disgorged by Fruehauf was equal to the benefit it received from its unlawful use of the distinctive appearance of the Cornhusker 800. See *Mishawaka R. & W. Mfg. Co. v. S. S. Kresge Co.*, 316 U.S. 203, 206-207 (1942). The determination that twenty percent of the profits was attributable to this unlawful use was based upon data derived from a market survey made at the request of Fruehauf. The District Court concluded therefrom that only that percentage of Fruehauf trailers were purchased for reasons related to the appearance of the TESCO trailer or because of customer knowledge of and comparison with the Cornhusker 800. It proceeded upon the theory that TESCO could be awarded relief from the infringement only to the extent that Fruehauf had been unjustly enriched.

It is unnecessary to review the factual support for this further limitation, for in our view, equity requires that Fruehauf relinquish all of its profits from the sales in the three states wherein TESCO has acquired protectable trademark rights. We proceed upon the theory that such relief is necessary as a deterrence to willful infringement.

A distinguished panel of the Second Circuit<sup>15</sup> had occasion to consider the extent profits should be recovered in a case of this kind in *W. E. Bassett Company v. Revlon, Inc.*, *supra*. There, Revlon unilaterally determined that it could trade upon the goodwill of a competitor by coupling the latter's trademark with its own name and reputation in the manufacture and sale of a cuticle trimmer. Notwithstanding the fact that this infringement did not cause customer confusion, because the competitor was not manufacturing a similar product, and that Revlon's sales were not, therefore, attributable to the unlawful conduct, an accounting of all of Revlon's profits was required because:

<sup>15</sup> The panel consisted of Associate Justice Clark, Chief Judge Lumbard and Judge Kaufman.



It is essential to deter companies from willfully infringing a competitor's mark, and the only way the courts can fashion a strong enough deterrent is to see to it that a company found guilty of willful infringement shall lose *all* its profits from its use of the infringing mark. (Citations omitted emphasis original.)

*Id.* at 664.

While we do not read *Revlon* as authority for the proposition that all of the infringer's profits should be recovered in every case, we do find that result to be appropriate here.

The District Court found that:

In the present case the evidence shows that [Fruehauf] deliberately copied the distinctive design of [TESCO's] hopper bottomed trailer, and it cannot be said that the defendant believed that no likelihood of confusion as to the source of origin of the trailer would occur in the marketplace. [Fruehauf] chose to copy the most distinctively designed hopper trailer sold in the marketplace in an attempt to divert sales from other competitors who manufactured a less identifiable product. [Fruehauf] deliberately fed upon the identification factors which were intentionally designed into the Cornhusker 800 trailer by [TESCO's] president. Wilfulness and bad faith are clearly shown by the evidence of this case.

This finding is supported by the facts. Fruehauf, without knowledge of or inquiry into the functional and nonfunctional aspects of the exterior design of the Cornhusker 800, copied exactly not only the superior functional qualities of the TESCO trailer but also the exterior physical characteristics by which that good reputation was known to the purchasing public. It not only sought and received the benefits of TESCO's goodwill, but, by coupling the latter's reputation with its own well-known name,

set upon a source of conduct which, in practical effect, would destroy the good reputation of TESCO.<sup>16</sup> The award of only twenty percent of Fruehauf's profits is clearly inadequate to ensure that similar conduct will not reoccur in the future.

Moreover, given the bad faith conduct of Fruehauf and the potentially devastating effect that conduct had on its weaker competitor, TESCO, we are hesitant to limit the award on the basis of the fine-tuned results of a post-infringement market survey. The decision to purchase a product, while usually justified by the objective criteria of performance, is often predetermined by the subjective factor of the product's good reputation previously existent in the marketplace.

Accordingly, the judgment and order of the District Court is affirmed except as to the recovery of profits. As to that, the cause is remanded for entry of judgment in that amount which will award TESCO all of Fruehauf's profits from sales of the trailers copied from the Cornhusker 800 and trade-ins taken as part of the purchase price in the sale of those trailers in Nebraska, Iowa and Minnesota during the period of infringement.

A true copy.

Attest:

CLERK, U. S. COURT OF APPEALS, EIGHTH CIRCUIT.

---

<sup>16</sup> The District Court found:

Considering the number of Cornhusker 800s which have been manufactured by [TESCO] since [TESCO] began its manufacturing operation up to the present time and the number of copies made and sold by [Fruehauf], it is probable that it no longer can be said that the consuming public identifies the distinctive design of the Cornhusker 800 with [TESCO].



**APPENDIX 8**

United States Court of Appeals  
For the Eighth Circuit

No. 75-1415

September Term, 1975

Truck Equipment Service Company,  
Appellant,  
vs.

Fruehauf Corporation,

Appellee.

No. 75-1428

Truck Equipment Service Company,  
Appellee,  
vs.

Fruehauf Corporation,

Appellant.

Appeals from the  
United States District  
Court for the District  
of Nebraska.

**JUDGMENT**

(Filed June 9, 1976)

These causes came on to be heard on the record of the United States District Court for the District of Nebraska and were argued by counsel.

On Consideration Whereof, it is now here ordered and adjudged by this Court that the judgment and order of the said

District Court in these causes be and the same is hereby affirmed except as to the recovery of profits.

And it is further ordered by this Court that these cases be and are hereby remanded to the said District Court for proceedings consistent with this Court's opinion.

June 9, 1976

APPENDIX 9

U.S. Patent No. 2,250,262  
(Defendant's Exhibit 62)

July 22, 1941.

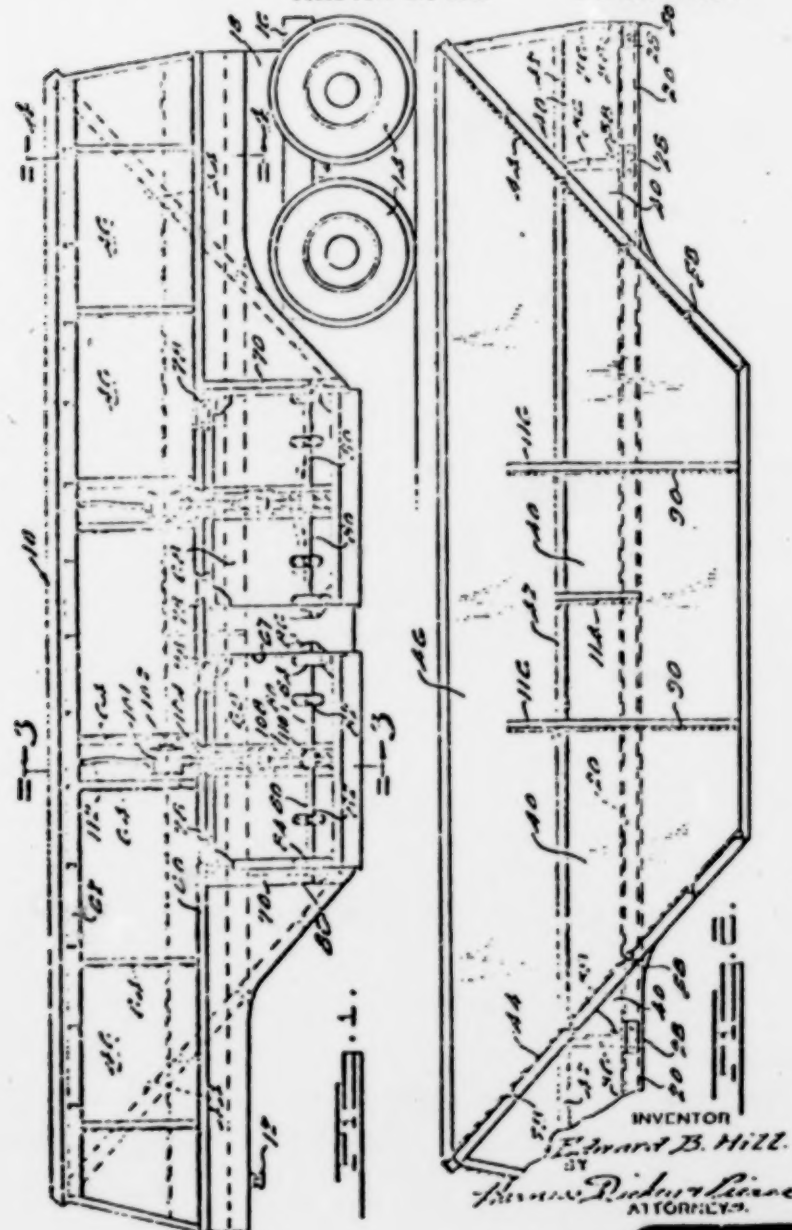
E. B. HILL

2,250,262

SIDE DISCHARGE HOPPER BODY

Filed Feb. 27, 1941

2 Sheets-Sheet 1



INVENTOR  
Edward B. Hill  
BY  
Harold R. Dickson  
ATTORNEY

DEFENDANT'S  
EXHIBIT

62

July 22, 1941.

E. B. HILL

2,250,262

SIDE DISCHARGE HOPPER BODY

Filed Feb. 27, 1941

2 Sheets-Sheet 2

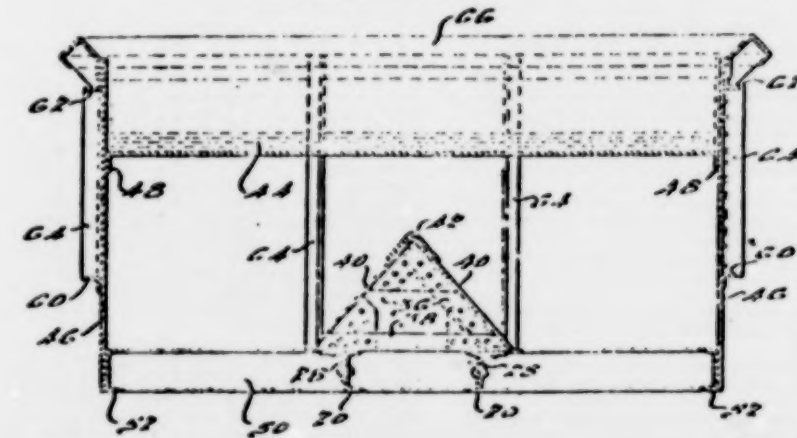
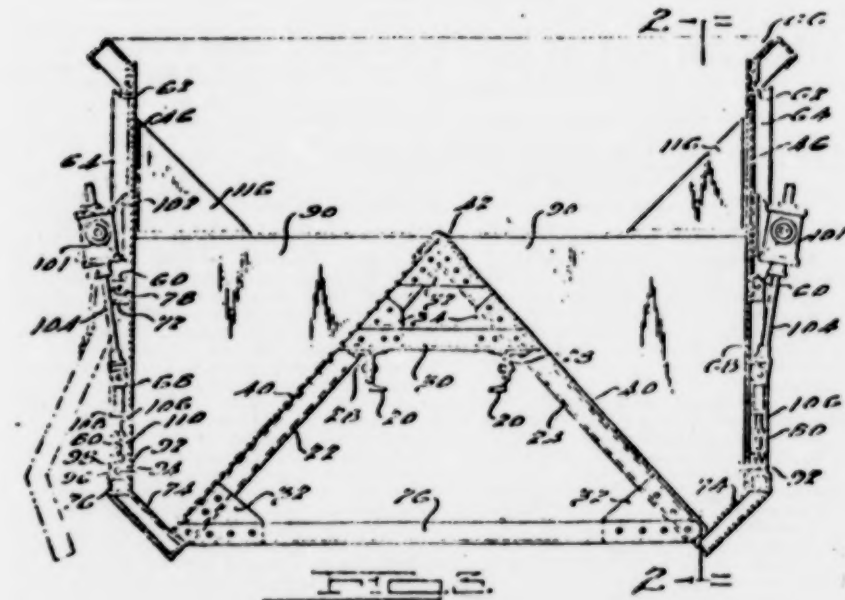


FIG. 4

INVENTOR  
Edward B. Hill  
BY  
Harold R. Dickson  
ATTORNEY

**2,250,262**

## 9.960.909

Edward Burr Hill, Chicago, Ill., assignor to the  
Wood Industries, Inc., Detroit, Mich., a corporation  
of Michigan

Application February 27, 1941, Serial No. 386 787

3 Claims. (Cl. 298-28)

The vehicle dump body of the present invention is particularly adapted for use in handling material that it will be appreciated that it is also useful for other types of bulk. Good in handling, both

The vehicle body is of the so-called "transverse" type, and it includes the longitudinally extending channel members 22 which extend substantially the full length of the vehicle body. A plurality of transversely extending rigid triangular members 24 are formed of sides 26 and 28 and a bottom 30, are supported on the longitudinal members 22 and are secured thereto by means of angle members 32 which may be suitably secured, as by stitching to a transversely extending bracing member 34. The triangular member is 24 disposed such that its peak thereof, which is formed by the juncture of sides 26 and 28, is disposed rearwardly and at substantially the transverse midpoint of the body. Reinforcing gusset plates 36 may be secured to the corners of the triangle, as by riveting, and

The ends 58 may be strengthened and stiffened by means of transversely extending beam members 60, which may be fixed to the under surface thereof. The side members 60 may be stiffened and strengthened by a longitudinally extending angle member 62 fixed to the outside thereof and running the length of the vehicle and by another longitudinally extending angle member 63 which is fixed to the top thereof and running longitudinally of the side. Also, vertically extending angle members 64 may be disposed between the side members 60 and 62 at spaced intervals along the length of the body and otherwise suitably attached to the sides 60. Further reinforcement may be provided in the form of cross bracing

Power means are provided for unlatching and opening the doors, and such power means include hand time assemblies 101 which may be mounted upon suitable brackets 102 secured to the side of the body above each of the doors. A pin 103 and its pinion 104 drive the cylinder 105 and the lower and third pinions connect to a drive cable connection link 106. Such link 106 may be suitably mounted and guided with rollers, through mounting members 107 secured to the outside face of the door, and the lower end of such member is attached to a connector 108 which carries the lower end of the handle 109 therein.



2,980,000

3

The hydraulic cylinders are suitably connected with a source of hydraulic pressure, which may come from a tank and pump mounted on the power tractor through suitable conduits 117. Conduits 117 are so connected to the cylinder that the power stroke of the piston 104 is upwardly, and upon such upward movement the levers 99 and pin 98 are withdrawn from their latching positions to the positions shown in broken lines in Fig. 1. Upon such upward movement, the member 118 then abuts against the guide and stop member 120 so that further upward movement of the piston rod 104 causes the door to swing open.

As the floors 48 are sloped at a substantial angle, it will be evident that the materials within the vehicle are rapidly discharged therefrom. Viewing Fig. 3, it will be seen that the sloping portions 14 of the doors permit a steep angle on the floors 48 and at the same time increase the capacity of the body.

Other transversely extending reinforcing members 116 and 118 may be provided within the body connecting the bottoms and sides so as to further strengthen the body, if desired.

Formal changes may be made in the specific embodiment of the invention described without departing from the spirit and substance of the invention, the scope of which is commensurate with the appended claims.

What is claimed is:

1. A vehicle dump body having ground engaging wheels mounted thereon comprising longitudinal members which extend substantially the length of the vehicle; transversely extending, rigid triangular members secured to said longitudinally extending members and supported thereon, said triangular members being disposed with one corner thereof upwardly; bottom members secured to the top sides of said triangular members so that said bottom members slope downwardly and outwardly; and members sup-

ported on said longitudinal members; side members secured by said longitudinal members; and means forming doors in said side members adjacent the juncture of the floor members with the sides.

2. A vehicle dump body having supporting wheels mounted thereon, adjacent the ends thereof, comprising longitudinal members which extend substantially the length of the vehicle; transversely extending rigid triangular members disposed with one corner thereof upwardly, said longitudinal members being disposed within said triangular members and secured thereto adjacent said upper corner; bottom members secured to the top sides of said triangular members so that said bottom members slope downwardly and outwardly; and members supported on said longitudinal members, side members carried by said longitudinal members; and means forming doors in said side members adjacent the juncture of the floor members with the sides.

3. A vehicle dump body having supporting wheels mounted thereon, adjacent the ends thereof, comprising longitudinal members which extend substantially the length of the vehicle; transversely extending, rigid triangular members disposed with one corner thereof upwardly; a transversely extending bracing member secured to each of said triangular members, said longitudinal members being disposed within said triangular members below said transversely extending bracing member and secured thereto; bottom members secured to the top sides of said triangular members so that said bottom members slope downwardly and outwardly; end members supported on said longitudinal members; side members carried by said longitudinal members; and means forming doors in said side members adjacent the juncture of the floor members with the sides.

HOWARD BURN HILL.

76-133

Supreme Court, U. S.

FILED

AUG 13 1976

MICHAEL RODAK, JR., CLERK

IN THE

**Supreme Court of the United States**

**OCTOBER TERM, 1976**

—○—  
**No. —**  
—○—

**FRUEHAUF CORPORATION,**

*Petitioner,*

vs.

**TRUCK EQUIPMENT SERVICE COMPANY,**

*Respondent.*

—○—  
**BRIEF OF RESPONDENT  
TO  
PETITION FOR A WRIT OF CERTIORARI  
To the United States Court of Appeals  
for the Eighth Circuit**  
—○—

**THEODORE L. KESSNER**

**400 Lincoln Benefit Building  
Lincoln, Nebraska 68508**

*Attorney for Respondent*

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IN THE  
**Supreme Court of the United States**

**OCTOBER TERM, 1976**

No. \_\_\_\_\_

FRUEHAUF CORPORATION,  
*Petitioner,*  
  
vs.  
  
TRUCK EQUIPMENT SERVICE COMPANY,  
*Respondent.*

**BRIEF OF RESPONDENT  
TO  
PETITION FOR A WRIT OF CERTIORARI  
To the United States Court of Appeals  
for the Eighth Circuit**

**STATEMENT OF THE CASE**

**A. Manner of Reference**

In its brief, the respondent will refer to the parties and record in the following manner:

The Respondent, Truck Equipment Service Company:

**"TESCO"**

The Petitioner, Fruehauf Corporation:

**"Fruehauf"**

The Hobbs Division of Fruehauf:

**"Hobbs"**

The Transcript of Testimony in the Trial Court:

**"(Tr. Vol. —, —:—)"**

Volume A contains the testimony received at the trials of December 19, 1972, (Liability) and June 1, 1973, (Injunction). Volumes I, II and III contain the testimony received at the trial of April, 1975, (Amount of Recovery).

The Exhibits received by the Trial Court:

**"(Ex. —:—)"**

Plaintiff's exhibits will be identified "Pl" followed by the number, Defendant's "Df".

The pleadings and orders contained in the Designated Portion of the Trial Court Record, by identifying the pleading and the page of the Designated Record where found, e. g.:

**"(Pretrial Order: 14)"**

The testimony received by the Trial Court contained in depositions:

**"(Dep. —, —:—)"**

The testimony of several witnesses is contained in two different depositions, for those witnesses, the date of the deposition will also be shown, e. g., (Dep. Biggers, 8/3/72, 5:12).

The orders and decisions of the Trial Court and the Eighth Circuit Court by reference to the Appendix in the Petition for a Writ of Certiorari.

**B. Nature of the Case**

TESCO's causes of action are based upon unlawful competition and trademark violation by Fruehauf in the sale of semi-truck trailers in interstate commerce.

TESCO alleges that Fruehauf copied both the functional and nonfunctional features of its unique twin hopper bottomed grain trailer, that the unique exterior appearance of its trailer constitutes a device used by it to identify its trailers and distinguish them from grain hopper trailers made by other manufacturers, and that the conduct of Fruehauf is actionable under Section 43(a) of the Lanham Act, Title 15, U. S. C. A., Section 1125(a).

**C. Course of Proceedings**

The parties jointly moved for an order bifurcating the issues of liability and damages (Joint Motion:12).

The issue of liability was submitted to the Trial Court on December 19, 1972 (Tr., Vol. A).

TESCO's request for an injunction was submitted to the Trial Court on June 1, 1973 (Tr., Vol. A).

Fruehauf resisted TESCO's discovery efforts to obtain financial data showing profits from the sale of the unlawfully copied hopper trailers. The right of TESCO to an accounting was submitted to the Trial Court for determination on Fruehauf's Motion for Protective Order.

The issue of the amount of TESCO's recovery from Fruehauf was submitted to the Trial Court in April, 1975, (Tr., Vols. I, II, III).

#### D. Deposition in the Courts Below

The Trial Court rendered four orders resolving the issues:

*Memorandum on Liability*, April 20, 1973.

The Trial Court held that Fruehauf was liable to TESCO "... for engaging in unfair competition by using the photograph of the plaintiff's product on its advertising literature and for copying the distinctive design of the plaintiff's hopper bottomed trailer." (A-1).

*Injunction*, June 14, 1973.

The trial Court enjoined Fruehauf from "any further acts of manufacturing, selling or delivering any twin hopper bottomed grain or bulk commodity semi-trailers in (thirteen identified states) which semi-trailers have an exterior appearance the same as or deceptively similar to the exterior appearance of the Cornhusker 800 twin hopper bottomed grain or bulk commodity semi-trailer manufactured" by TESCO (A-12, 15).

*Duty to Account for Profits*, October 10, 1973.

In requiring Fruehauf to provide financial data showing profits from the sale of the unlawfully copied hopper trailers, the Trial Court found:

"In the present case the evidence shows that (Fruehauf) deliberately copied the distinctive design of (TESCO's) hopper bottomed trailer, and it cannot be said that (Fruehauf) believed that no likelihood of confusion as to the source of origin of the trailer would occur in the marketplace. (Fruehauf) chose to copy the most distinctively designed hopper trailer sold in the marketplace in an attempt to divert sales

from other competitors who manufactured a less identifiable product. (Fruehauf) deliberately fed upon the identification factors which were intentionally designed into the Cornhusker 800 trailer by (TESCO's) president. Wilfulness and bad faith are clearly shown by the evidence. (Emphasis supplied.)

• • •

"... I conclude that (TESCO) may recover actual damages sustained as a result of pecuniary loss to its business and such portion as equity requires of (Fruehauf's) profits on sales of hopper bottomed trailers which were identical in appearance to those manufactured by (TESCO), but there must be no double recovery.

• • •

"An accounting of (Fruehauf's) profits will be required." (A-17).

*Amount of Recovery*, April 28, 1975

At the April, 1975, trial, Fruehauf offered evidence that its profits from the sale of the unlawfully copied trailers in the thirteen identified states was \$438,204 (Ex., Df:102). The Trial Court limited TESCO's recovery to

(a) Twenty per cent of Fruehauf's profits from sales in only the states of Nebraska, Iowa and Minnesota	\$27,580.12
(b) A limited amount of Fruehauf's profits from the sale of trade-ins in the three states.	789.91
(c) Nominal damages	1.00
(d) Out-of-pocket expenses, excluding attorney fees	2,699.18
Total	\$31,070.21

In addition, the Trial Court removed the injunction prohibiting Fruehauf from manufacturing and selling exact copies of TESCO's Cornhusker 800 hopper trailer (A-23, 30).



*Eighth Circuit Court Appeal, June 9, 1976*

TESCO appealed to the Eighth Circuit Court. Fruehauf cross-appealed.

On June 9, 1976, the Court of Appeals rendered its decision. The Court discussed in detail and rejected the arguments of Fruehauf that it is privileged to copy the exterior design of TESCO's Cornhusker 800. The Court went on to properly apply the law and held:

"... (T)he judgment and order of the District Court is affirmed except as to the recovery of profits. As to that, the cause is remanded for entry of judgment in that amount which will award TESCO all of Fruehauf's profits from sales of the trailers copied from the Cornhusker 800 and trade-ins taken as part of the purchase price in the sale of those trailers in Nebraska, Iowa and Minnesota during the period of infringement." (A-30, 54).

The mandate has issued and the Trial Court has entered judgment for TESCO in the amount of \$144,550.41.

**E. Statement of Facts**

Prior to the trial on the issue of liability, the parties submitted to the Trial Court, and the Trial Court adopted an Order on Pretrial Conference which sets forth "Uncontroverted Facts" as follows:

"2. *Uncontroverted Facts*: The parties have agreed that the following may be accepted as established facts for the purposes of this case only:

(a) Truck Equipment Service Company is the original manufacturer of a twin hopper bottomed grain or bulk commodity semi-trailer featuring a twin hopper design and structure.

(b) Truck Equipment Service Company has been selling its hopper bottomed trailer under the label 'Cornhusker 800' in interstate commerce since 1968.

(c) In August, 1970, Fruehauf Corporation, through its Hobbs Division purchased a Cornhusker 800 from Truck Equipment Service Company.

(d) Upon delivery of the Cornhusker 800 in October, 1970, Fruehauf removed three labels which stated 'Cornhusker 800, Mfd. by Truck Equipment Service Company, Lincoln, Nebraska,' and substituted labels stating 'Hobbs.'

(e) In October, 1970, the Cornhusker 800 bearing Hobbs' labels was photographed by Fruehauf and the photographs were used on sales literature, distributed in interstate commerce to its sales personnel for use in the sale of a twin hopper bottomed grain trailer manufactured by Fruehauf. The hopper design and structure is substantially similar and the exterior appearance of the Fruehauf trailer is almost identical to and was copied from the Cornhusker 800.

(f) In December, 1970, the Cornhusker 800 bearing Hobbs' labels was photographed by Fruehauf and the photographs were used by Fruehauf on sales literature, distributed in interstate commerce, to sell a twin hopper bottomed grain trailer manufactured by Fruehauf. The hopper design and structure is substantially similar and the exterior appearance of the Fruehauf trailer is almost identical to and was copied from the Cornhusker 800.

(g) Since 1970, Fruehauf has sold in interstate commerce a hopper bottomed grain trailer under both the Hobbs and Fruehauf labels, the exterior appearance of which is almost identical to and was copied from the Cornhusker 800."

(Order on Pretrial Conference: 14)

The Order set forth the "Controverted and Unresolved Issues" as follows:

"3. *Controverted and Unresolved Issues*: The issues remaining to be determined and unresolved matters for the Court's attention are:

The unresolved issue is whether the facts and applicable law prohibit Fruehauf from copying the innovative hopper design and structure of the Cornhusker 800 and its distinctive exterior appearance.

Primary to this determination is the issue of whether the unique and distinctive exterior appearance of the Cornhusker 800 is a trademark used by Truck Equipment Service Company to identify and distinguish its hopper bottomed trailer from those manufactured by others, and if so, if the action of Fruehauf in marketing a hopper bottomed trailer with identical exterior appearance copied from the Cornhusker 800, including the use of photographs of the Cornhusker 800 to aid in the sale of Fruehauf copies, is actionable.

Evidence will be required to support the positions of the litigants with reference to controverted issues."

(Order on Pretrial Conference: 14)

As stated, the TESCO twin hopper bottomed grain trailer was sold under the name "Cornhusker 800," and hereinafter it shall be so designated. The copies of the Cornhusker 800 sold by Fruehauf under both the Fruehauf and Hobbs labels were identified as Model "HO-7101-39' Hopper Grain Trailer." All copies were manufactured by Fruehauf's Hobbs Division. Hereinafter all copies will be referred to as "the Hobbs copies" unless the context requires further identification of the Fruehauf division marketing the trailers.

Prior to the trial of April 1975, there was no effort by Fruehauf to do anything but agree that the exterior appearance of the Cornhusker 800 was unique and non-functional, used by TESCO as a device to identify its trailer and distinguish it from grain hopper trailers made by other manufacturers.

Mr. Biggers, vice president of Fruehauf and general manager of Hobbs:

"Q. Returning then to Exhibit 5 and directing your attention to both the front and the rear of that side view of the trailer, do you know, Mr. Biggers, whether, for example, the sloped nose of the trailer and rear of the trailer serves a functional purpose in the trailer?

A. No, I don't know.

Q. Did you get a report from Mr. Pappas or any other person concerning whether this was functional or simply style?

A. No. I don't recall it ever being discussed.

Q. Do you know whether or not the design of the sides of the trailer, as shown on the drawing, Exhibit 5, which shows the sides of the trailer in the area of the hoppers to be parallel to the ground, straight across the bottom, is one that serves a functional purpose in the design of the trailer?

A. No. I wouldn't think so. You could go either way and I think we have gone both ways with it."

(Dep. Biggers, 8/3/72, 45:21-46:11)

Mr. Doyle, vice president—sales of Hobbs:

"Q. In your area of concern for the sale of the hopper bottom trailer, did you make any determina-

tion of what parts of the Cornhusker 800 trailer which was copied were style as opposed to functional?

A. No.

Q. Were you aware in your sales efforts that the Hobbs trailer was nearly identical in appearance to the Cornhusker 800 trailer?

A. Yes."

(Dep. Doyle, 35:10-18)

Mr. Pappas, chief engineer of Hobbs:

"Q. In your inspection of the Cornhusker 800 trailer at the Cleburne, Texas, plant and those that you inspected in the Omaha area, did you make any effort to determine what, if any, portions of the Cornhusker 800 design were functional as opposed to style?

A. No."

(Dep. Pappas, 14:19-24)

The most compelling evidence in the Trial Court record that the exterior appearance of the Cornhusker 800 is nonfunctional is the report of the engineers in Fruehauf's research and development section in Detroit. The report made in February, 1971, immediately after Fruehauf began manufacture of the Hobbs copies states in part:

"Before loading subject grain haul several test personnel inspected the trailer for design or quality flaws. The attached comments are pretest inspection results. Pretest inspection was made by A. Aiello P. DeVergilio, R. Kuczera, E. Simon, and R. Harris. The comments have not been edited only duplicate comments have been omitted.

INSPECTION OF HOBBS HOPPER GRAIN HAUL  
MODEL NUMBER: HO 7101-39, SERIAL NUMBER:  
CIN 7892-02

1. . . .

6. The entire side skin of the rear of the trailer from the transition area back is useless. The way it is set up its only function will be to gather road dirt and mud. Either:

- a. Redesign the aft end with an appearance of one of Fruehauf's bulk trailers or
- b. Hinge the rear of the trailer, provide a back door and a floor as an additional selling point to haul limited packaged material instead of dead heading or
- c. Make the empty space a provision for spare tire and tarp storage.

. . . .

21. See item 6—everything said about the rear is directly applicable to the front."

(Ex. P1:28)

At the April, 1975, trial Fruehauf attempted to disavow the report through the testimony of Mr. Pappas. However, Mr. Pappas agreed that the Hobbs copies of the Cornhusker 800 could have been made to look like the artist's drawings of a twin hopper trailer with the side skin removed as recommended in the engineer's report, and the trailer would have functioned the same (Ex. P1: 49 & 50) (Tr. Vol. III, 513:14-514:15; 548:4-553:9; 562:21-563:24).

The exterior appearance of the Cornhusker 800 is both unique and nonfunctional, an identifying trademark used by TESCO for its twin hopper grain trailer.

No other hopper bottomed grain trailer sold has an appearance similar to the Cornhusker 800. Mr. Jespersen, the Hobbs employee who recommended copying the



Cornhusker 800, identified the hopper trailers sold by others (Dep. Jespersen, 57:11). The sales literature of the other manufacturers was received in evidence (Ex. Pl. 8-14). None has an exterior appearance similar to the Cornhusker 800 including the other hopper trailer manufactured by Fruehauf (Ex. Pl:14).

In its sales bulletin introducing the Hobbs copies, released November 23, 1970, prior to the commencement of manufacture by Fruehauf, and which included pictures of the Cornhusker 800 with Hobbs labels, Fruehauf states:

"This trailer has been road tested in the field for the past three years and has been investigated by our engineering staff and myself. It is not a warmed over grain trailer. . . .

. . . .

"The center drop services the main concentrated portion of the trailer giving additional wall height and strength. *This feature also gives the truck its own identification.*" (Emphasis supplied.) (Ex. Pl:20).

The decision to build the Hobbs copies with an exterior appearance exactly like the Cornhusker 800 was a "sales" decision, not an "engineering" one.

Mr. Jespersen's testimony:

"Q. What convinced him, then, to go ahead and build a trailer which was identical in style to the Cornhusker?

A. Because the decision of what to build is up to management, not engineering."

(Dep. Jespersen, 65:4-7)

Mr. Doyle stated that the Fruehauf's engineering report stating that this exterior appearance of the Hobbs

copies should be changed (Ex. Pl:28) was "ignored." (Tr. Vol. II, 250:10-11). Mr. Doyle clearly stated that the reason for maintaining the exact copy of the exterior of the Cornhusker 800 was to trade upon its market acceptance.

"Q. The reports in sum told you that the reputation of the Cornhusker 800 was a good trailer?

A. Yes.

Q. And that was part of your motivation in copying it?

A. That was the sole motivation."

(Tr. Vol. II, 255:11-15)

Q. And I take it in making that decision it was a sales oriented decision, 'Can we sell enough to justify our investment in the production?'

A. Exactly.

. . . .

Q. And I believe both you and Mr. Biggers testified in your depositions that you made no effort to distinguish between the functional and non-functional features of the Cornhusker?

A. I did not."

(Tr. Vol. II, 256:9-20)

Even though Fruehauf is the nation's largest manufacturer of semi-truck trailers with annual sales of nearly three-quarters of a billion dollars, prior to marketing the Hobbs copies it sold a minimal number of grain trailers. In 1970, it sold twenty-six grain trailers (Dep. Biggers, 8/3/72, 14:10-13).

The primary market area for grain trailers is the grain-producing and cattle-feeding states (Dep. Doyle, 23:

9-25, 24:1-3). The sales of the Cornhusker 800 (Ex. Pl: 4 & 46) and the Hobbs copies (Ex. Pl:39 & 40) were principally in the states of Nebraska, South Dakota, North Dakota, Minnesota, Iowa, Illinois, Missouri, Kansas, Oklahoma, Colorado, Wyoming, Texas, and Wisconsin. These thirteen states were identified in the Trial Court's injunction, and the states in which sales and profits were accounted for.

In the twenty-nine months Fruehauf sold the Hobbs copies until enjoined by the Court, it sold four hundred eighty-nine copies in the thirteen identified states (Ex. Df:102).

The "Uncontroverted Facts" in the Order on Pretrial Conference—Amount of Recovery Issues—are as follows:

"2. *Uncontroverted Facts.* The parties have agreed that the following may be accepted as established facts for the purpose of this case only:

(a) Fruehauf has submitted reports for sales costs and profits resulting from the sale of 477 hopper bottomed grain trailers which were identical in exterior appearance to the Cornhusker 800 and which were sold from January, 1971, until enjoined by the Court. The sales were made in the states covered by the Court's injunction of June 14, 1973.

(b) The total sales for the 477 copied trailers was \$3,926,086.00. After deducting costs and expenses, Fruehauf reported a profit on these sales of \$420,149.87.

(c) In addition to the new trailer sales, Fruehauf reported information on the sale of 59 trade-ins which were received and sold on the new trailer transactions. Fruehauf's profit on the trade-in transactions was \$7,190.55.

(d) During the period of the unlawful competition, the Fruehauf Corporation, through its Hobbs Division, manufactured and sold 546 of the copied trailers. The Hobbs Division herein accounted for the sale of 363 of the trailers, the Fruehauf Division accounted for 114 of the trailers.

(e) 386 of the copied trailers were sold under the 'Hobbs' label. 160 were sold under the 'Fruehauf' label."

(Order on Pretrial Conference:46)

Throughout the course of the litigation, Fruehauf supplied varying financial data concerning the sales and profits for the Hobbs copies in the thirteen identified states (Ex. Pl:38, 39 & 40). At the April, 1975, trial, Fruehauf made its final revisions and reported a profit of \$438,204 on the sale of 489 Hobbs copies in the thirteen identified states (Ex. Df:102). In addition, Fruehauf had profits on trade-ins of at least \$7,190 (Ex. Pl. 42).

The total profits obtained by Fruehauf through the sale of the Hobbs copies in the thirteen identified states was at least \$445,394.

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## SUMMARY OF ARGUMENT

The Courts below properly concluded that the exterior appearance of the Cornhusker 800 was nonfunctional and that its unique design indicated the origin of the trailer, and thus it was unlawful for Fruehauf to copy this distinctive, identifying trademark of the Cornhusker 800; that Fruehauf's actions of copying the exterior of the Corn-

husker 800 constituted a deceptive and misleading practice proscribed by the Lanham Act; that Fruehauf's action was willful and in bad faith, done to divert sales and unlawfully compete with TESCO; and that equity required an accounting of Fruehauf's profits.

The Eighth Circuit Court properly determined that Fruehauf must pay over to TESCO all of its profits from the sale of the copies in three states, Nebraska, Iowa and Minnesota, because of Fruehauf's unlawful, bad faith conduct, and "to ensure that similar conduct will not reoccur in the future." (A53).

In making its determinations, the Eighth Circuit Court followed prior decisions of this Court and other Circuits. There are no special and important reasons, as required by Rule 19, for granting the Petition for a Writ of Certiorari.

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## ARGUMENT

### I.

**The unique, nonfunctional exterior appearance of TESCO's Cornhusker 800 which distinguishes it from hopper bottomed trailers sold by other manufacturers is a trademark.**

The Courts below properly determined that the unique, nonfunctional exterior appearance of the Cornhusker 800 was a device adopted and used by TESCO to identify its hopper bottomed trailer and distinguish it from hopper bottomed trailers manufactured by others.

There can be no question that the exterior appearance of the Cornhusker 800 is unique and distinctive. The exterior appearance of the hopper bottomed trailers manufactured by others is shown in their sales brochures (Ex. P1:8-14). These exhibits quickly and conclusively demonstrate that the exterior of the Cornhusker 800 is unlike that of any other sold in the marketplace.

Some of these manufacturers who make and sell hopper bottomed trailers have much larger sales than does TESCO, but none of them sells a hopper bottomed trailer that has the unique, distinctive appearance of the Cornhusker 800.

The Trial Court's findings include the following:

"The defendant deliberately fed upon the identification factors which were intentionally designed into the Cornhusker 800 trailer by the plaintiff's president." (A-21)

As the device adopted and used by TESCO to identify and distinguish its hopper bottomed trailer, the exterior appearance of the Cornhusker 800 became a trademark as defined by the Lanham Act (Title 15, U. S. C. A., Section 1127).

TESCO does not seek a remedy because Fruehauf copied the functional features of the Cornhusker 800 which are also unique. The law does not grant such a remedy:

An unpatentable article, like an article on which the patent has expired, is in the public domain and may be made and sold by whoever chooses to do so."

*Sears, Roebuck and Co. v. Stiffel Company*, 375 U. S. 225, 84 S. Ct. 784, 11 L. Ed. 2d 661 (1964).



There is no question that the functional features of the Cornhusker 800 make it acceptable to and desired by the truckers who buy hopper grain trailers. No one argues the fact that the Cornhusker 800 is an excellent hopper grain trailer.

Mr. Doyle, Hobbs' vice president—sales, when asked about the reputation of TESCO's Cornhusker 800, replied:

"That they obviously built one of the finest grain trailers on the road and that it was giving no appreciable amount of trouble." (Tr. Vol. II, 254:21-23)

What TESCO seeks redress for is Fruehauf's copying the unique, nonfunctional exterior appearance used by TESCO to identify its quality hopper grain trailer. No one can seriously contend to the contrary that Fruehauf could have built a hopper grain trailer copying the excellent functional features of the Cornhusker 800 *without* copying the unique, nonfunctional exterior appearance. Fruehauf's research and development engineers recommended at the beginning of manufacture, before any complaint by TESCO, that the exterior appearance be redesigned (Ex. Pl:28).

Even Mr. Pappas, who Fruehauf had testify at length during the April, 1975, trial in an effort to reduce the credibility of the engineer's report, agreed that Fruehauf could have copied the functional features of the Cornhusker 800 and had an exterior appearance like the artist's drawings of what the trailer would look like if the engineer's recommendations were followed (Ex. Pl:49 & 50) (Tr. Vol. III, 562:21-563:24). In addition, the credibility of Mr. Pappas' testimony that the Hobbs copy could not have been built any other way is highly suspect in light

of his previous testimony that he made no effort to determine what parts of the Cornhusker 800 were functional and nonfunctional, and further that as a result of the Fruehauf engineer's report he made some structural changes but none of the recommended appearance changes were made (Dep. Pappas, 14:19-24; 15:19-16:5). Pappas also testified in the Trial Court on December 19, 1972, and offered none of the theories he presented to the Trial Court during the April, 1975, trial (Tr. Vol. A, 55:7-62:2).

Mr. Jespersen also agreed that the Hobbs copy could have had the functional features of the Cornhusker 800 without appearing exactly the same, stating that the Hobbs copies could have looked like the Fruehauf engineer's report recommended:

"A. . . . You could leave it (the sloping end walls) open . . ."

(Tr. Vol. I, 135:17)

"Okay. Now you could connect the cross members between the two side walls and not cover that area with skin?"

A. There have been trailers that do it.

Q. And you could have built a Hobbs that way?

A. Yes, we could have."

(Tr. Vol. I, 199:1-6)

The Ninth Circuit Court in *Bliss v. Gotham Industries, Inc.*, 316 F. 2d 848 (9th Cir. 1963), stated the applicable rule as follows:

"Again assuming the similarity of the pitchers that appellees copied, the principles enunciated by Judge Orr in *Pagliero v. Wallace China Co.*, 9 Cir., 198 F. 2d 339, 343, applies here . . . Imitation of the physi-

cal details and design of a competitor's product may be actionable, if the particular features imitated are "nonfunctional" and have acquired a secondary meaning. *Crescent Tool Co. v. Kilborn and Bishop Co.*, 2 Cir. 1917, 247 F. 299. \* \* \* On the other hand, *where the feature or more aptly, design, is a mere arbitrary, embellishment, a form of dress for the goods primarily adopted for purposes of identification and individuality and hence, unrelated to basic consumer demands in connection with the product, imitation may be forbidden where requisite showing of secondary meaning is made. Under such circumstances, since effective competition may be undertaken without imitation, the law grants protection.*" (Emphasis supplied.)

The market penetration of the Cornhusker 800 is then a relevant consideration in the determination of the scope of protection to which TESCO is entitled. In *Sweetarts v. Sunline, Inc.*, 436 F. 2d 705 (8th Cir. 1971), it is stated:

"Though the market penetration need not be large to entitle plaintiff to protection, *Sweet Sixteen Co. v. Sweet '16' Shop*, 15 F. 2d 920, 8 Cir., 1926, it must be significant enough to pose a real likelihood of confusion among consumers in that area between products of the plaintiff and products of the defendant."

The Court in *Sweetarts* quoted from *Hanover Star Milling Co. v. Metcalf*, 240 U. S. 403, 36 S. Ct. 357, 60 L. Ed. 713 (1945):

"Into whatever markets the use of a trade mark has extended or its meaning has become known, there will the manufacturer or trader whose trade is pirated by an infringing use be entitled to protection and redress. But this is not to say that the proprietor of a trademark, good in the markets where it has been employed, can monopolize markets that his trade has never reached, and where the mark signifies not his

goods, but those of another \* \* \*. But the mark, of itself, cannot travel to markets where there is no article to wear the badge and no trader to offer the article."

The relevant issue is into what markets has the Cornhusker 800 extended and its meaning become known.

In considering market penetration, the Eighth Circuit Court determined that the Cornhusker 800 had attained market penetration, acceptance, and identification in the states of Nebraska, Iowa, and Minnesota.

The Eighth Circuit Court has stated the rule of secondary meaning in the marketplace in *Shoppers Fair of Arkansas, Inc. v. Sanders Co.*, 328 F. 2d 496 (8th Cir. 1964):

"We believe that the case of *Liberty Mutual Ins. Co. v. Liberty Insurance Co. of Texas*, 185 F. Supp. 895, 903 (E. D. Ark. 1960) succinctly states what is necessary to establish a secondary meaning:

"'However, a name, mark or symbol by long and exclusive use and advertising by one person in the sale of his goods and services may become so associated in the public mind with such goods or services that it serves to identify them and distinguish them from the goods or services of others. When such an association exists, the name, mark or symbol is said to have acquired a "secondary meaning," in which the original user has a property right which equity will protect against unfair appropriation by a competitor.'"

That the exterior appearance of the Cornhusker 800 is unique, distinctive and thus identifying is conclusively established in the Trial Court record. There can be no doubt that this unique appearance is associated with the hopper bottomed trailer built by TESCO in the mind of the trailer-buying public.



The Cornhusker 800's trademark is its unique exterior appearance. It has traveled to and in the marketplace throughout middle America. The point of sale of the product in no way limits its identification and recognition because of the manner in which the product is used.

The conclusion that the unique exterior appearance of the Cornhusker 800 has a secondary meaning—identifying the Cornhusker 800—throughout middle America is supported by the record.

The intent of Fruehauf to trade upon the customer acceptance of the Cornhusker 800 by offering a hopper grain trailer that looked exactly like it is well demonstrated by Fruehauf's method of entry into the market. It purchased a Cornhusker 800, replaced the TESCO labels with its own, photographed the trailer, and used the photo with its sales bulletin introducing a hopper trailer "road tested in the field for the past three years," (failing to mention that the "tests" were of Cornhusker 800's by TESCO and its customers). Two months later, it photographed the Cornhusker 800 with Hobbs label *again* and used these photos on widely distributed sales literature; the only sales piece used by Fruehauf for the next seven months.

Mr. Doyle, the highest officer offered by Fruehauf at the April, 1975, trial, candidly acknowledged that Fruehauf had acted in an "irresponsible manner."

"No, we didn't give any thought to any impropriety involved in copying the Cornhusker trailer. I have given a lot of thought about the irresponsible manner and carelessness in these photographs and particularly in this letter (Ex. Pl:20) failing to point out

that we were going to build it—in the letter of November 21, as I recall it."

(Tr. Vol. II, 236:16-21)

. . .

"Yes. I think it was highly irresponsible of us for not clarifying the point that the pictures attached depicted a trailer very similar to what we were going to manufacture." (Tr. Vol. II, 265:23-25)

The record is ringingly clear—Fruehauf knowingly and willfully photographed and then copied the unique, non-functional exterior appearance of the Cornhusker 800, TESCO's trademark for its hopper bottomed grain trailer, for one purpose only, to trade upon the known market acceptance of the Cornhusker 800, all in violation of TESCO's rights.

As stated in *Audio-Fidelity, Inc. v. High Fidelity Recordings, Inc.*, 283 F. 2d 551 (9th Cir. 1960), the willful act of precisely copying the exterior of the Cornhusker 800 shifts the burden to Fruehauf to show that there was no secondary meaning:

"But the trial court, having become convinced that exact copying by appellee of appellant's design had taken place, applied an improper theory of law in failing to rely on the inference created by such proof of copying. That proof without any opposing proof, is sufficient to establish a secondary meaning to the jacket. *There is no logical reason for the precise copying save an attempt to realize upon a secondary meaning that is in existence.* National Van Lines v. Dean, *supra*. "(A) late comer who deliberately copies the dress of his competitors already in the field, must at least prove that his effort has been futile." National Lead Co. v. Wolfe, *supra*, 223 F.



2d at page 202, quoting *My-T Fine Corporation v. Samuels*, 2 Cir. 1934, 69 F. 2d 76, 77." (Emphasis supplied.)

It is to be remembered that Fruehauf continued with the exact copy of the Cornhusker 800 notwithstanding the engineer's report that it be changed. The decision was a "sales" decision. To paraphrase—there is no logical reason for the precise copying save an attempt to realize upon this secondary meaning that was in existence!

In this matter, as in *W. E. Bassett Co. v. Revlon, Inc.*, 435 F. 2d 656 (2d Cir. 1970), the giant, as the late-comer to the marketplace, argues that it was factors other than trademark violation which caused it to sell the product. The *Bassett* court stated:

"Finally, Revlon's reliance on the fact that it uses its well-known name along with 'Cuti-Trim' is misplaced. As Judge Frankel stated, this tactic could well show that Revlon was seeking—as it evidently did when it undertook to buy Bassett's business—to couple the benefits of the 'Trim' mark with the persuasive powers of its own name, and thus the tactic could not insure against, but might instead promote confusion."

. . .

"The argument that Revlon's use of its well publicized name along with 'Cuti-Trim' indicates a lack of deliberate fraud is specious, for, if accepted, it would allow any company, that is well enough known, to infringe a competing company's mark, especially if the competitor is small, merely by coupling its own name with the competitor's mark."

It is not necessary that TESCO prove confusion in the marketplace.

"There was no proof of confusion in *Sherman*, and such proof is not a prerequisite, *Sweetarts v. Sunline, Inc.*, 380 F. 2d 923, 927, (8th Cir. 1967), but it is the likelihood of confusion which establishes infringement." (Emphasis supplied.)

*Electronic Com'ns., Inc. v. Electronic Components For Ind. Co.*, 443 F. 2d 487 (8th Cir. 1971).

In *Electronic* the Court went on to state:

"In *Sweetarts v. Sunline, Inc.*, 436 F. 2d 705 (8th Cir. 1971), we recognized that the issue of likelihood of confusion in a trademark infringement case is one of fact for resolution by the trial court, citing *Shoppers Fair of Arkansas, Inc. v. Saunders Co.*, 328 F. 2d 496 (8th Cir. 1964). As we have hereto pointed out, such factual findings will not be set aside by a reviewing court unless clearly erroneous."

The findings of the Trial Court herein on April 20, 1973, were:

"The defendant's actions were deceptive and misleading, in that they tended to confuse the public about the origin of the hopper trailer. Moreover, the defendant copied the distinctive design of the plaintiff's trailer in order to trade upon the customer acceptance of the design, which had acquired a secondary association with the plaintiff." (A-10)

That finding was accepted and approved by the Eighth Circuit Court. It is supported by substantial evidence, particularly the testimony of Messrs. Biggers, Doyle and Jespersen concerning why Fruehauf copied the exterior of the Cornhusker 800. It is underscored by the market survey (Ex. Df:70-72) which shows that a substantial majority of the purchasers of the Hobbs copies had seen the Cornhusker 800 prior to purchase.

The unique exterior appearance of the Cornhusker 800 is truly its trademark, the distinctive configuration into which TESCO has placed its hopper bottomed trailer.

The unique, nonfunctional exterior appearance of the Cornhusker 800 is TESCO's trademark, which distinguishes its hopper bottomed trailer from those of other manufacturers. The Cornhusker 800 has fully penetrated the mark for hopper bottomed trailers in middle America, and TESCO is entitled to relief for Fruehauf's unlawful use of its trademark.

## II.

### **The right of TESCO to redress under the Lanham Act for the unlawful competition and trademark violation by Fruehauf.**

Congress has enacted the Lanham Act to regulate unfair competition and the misuse of trademarks in interstate commerce.

In Title 15, U. S. C. A., Section 1127, the following definitions are prescribed:

"The term 'trade-mark' includes any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others.

"The term 'mark' includes any trade-mark, service mark, collective mark, or certification mark entitled to registration under this chapter whether registered or not."

Under the Code, the unique, nonfunctional exterior appearance of the Cornhusker 800, used by TESCO to

identify its hopper trailer and distinguish it from hopper trailers sold by other manufacturers is a "trademark" and "mark" as those terms are used therein.

The intent of Congress is clearly set forth in Section 1127.

"The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trade-marks, trade names, and unfair competition entered into between the United States and foreign nations."

Congress has given owners of trademarks, registered or unregistered, a civil remedy against those who violate the rights of the trademark holder and unfairly compete. In addition to the language of Section 1127 "making actionable the deceptive and misleading use of marks in such commerce and protecting persons engaged in such commerce against unfair competition," Section 1125 identifies a private civil remedy:

"(a) Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the fal-



sity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation."

Section 1117 of the Lanham Act identifies the remedies available for plaintiffs whose trademarks have been violated.

"When a violation of any right of the registrant of a mark registered in the Patent Office shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty."

While Section 1117 speaks initially about the rights of holders of registered marks, it also sets forth the elements

of recovery to be applied by the Court under the principles of equity.

The intent of Congress is to protect the holders of all trademarks, registered and unregistered, and to protect persons engaged in commerce against unfair competition (Section 1127).

In *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U. S. 714, 87 S. Ct. 1404, 18 L. Ed. 2d 475 (1967), the Supreme Court stated:

"... in the Lanham Act, Congress meticulously detailed the remedies available to a plaintiff who proves that his valid trademark has been infringed. It provided not only for injunctive relief, but also for compensatory recovery measured by the profits that accrued to the defendant by virtue of his infringement, the costs of the action, and damages which may be trebled in appropriate circumstances."

TESCO's trademark for the Cornhusker 800, its unique, nonfunctional exterior appearance is a "valid trademark" which has been infringed upon by Fruehauf. Validity of a trademark is not dependent upon registration.

It has been consistently held that the ownership rights in a trademark do not arise from registration. *Walgreen Drug Stores, Inc. v. Obear-Nester Glass Co.*, 113 F. 2d 956 (8th Cir. 1940), it is stated:

"Mere registration under the Federal Act does not create a trademark and confers no new rights to the mark claimed, nor, indeed, any greater rights than already existed at common law without registration ... registration is a method of recording for the protection of dealers, the public, and owners of trademarks. It is notice of the claims of the owner effect-



ing his right to the mark. But the right to such a trademark must have accrued from actual use, because such right is not created by registration of the mark. A trademark is inseparable from the goodwill of the business of its possessor and it exists only as an incident to the business in which it was lawfully acquired and with which it remains identified.

. . .

"The law of trademarks is a branch of the law of unfair competition, . . . and a trademark is infringed if such trademark, or a colorable imitation of it, is without authority placed upon substituted goods of the same class as those for which the mark has been appropriated. It would be a fraud for a producer or trader to use the trademark of another, and thus pass off his goods as the goods of the proprietor of the trademark."

The Third Circuit in *L'Aiglon Apparel v. Lana Lobell, Inc.*, 214 F. 2d 649 (3rd Cir. 1954), held that Section 43 (a) of the Lanham Act (Section 1125 (a)) created a new substantive federal right of action for unfair competition. Section 1117 sets forth the elements of recovery for trademark violation based upon the Lanham Act. Following acceptance of the *L'Aiglon* doctrine, the federal substantive rights of owners of both registered and unregistered trademarks became co-extensive.

In *Parkway Baking Co. v. Friehofer Baking Co.*, 255 F. 2d 641 (3rd Cir. 1958), it is said:

"In Section 43 (a) Congress has provided a remedy by way of civil damages or injunction against anyone who, in connection with goods or services in commerce uses a false designation of origin or false description or representation. 1 Callmann, Unfair Competition and Trade-Marks, Section 18.2 (b), *L'Aiglon Apparel v. Lana Lobell, Inc.*, 3 Cir., 1954, 214 F. 2d 649. . . ."

In discussing the substantive rights created by the Lanham Act, the Court in *Federal-Mogul-Bower Bearings, Inc. v. Azoff*, 313 F. 2d 405 (6th Cir. 1963) said:

"... it (the Lanham Act) does provide a right of action to persons engaged in interstate and foreign commerce against deceptive and misleading use of common law trademarks and against deceptive and misleading use of words, names, symbols or devices, or any combination thereof, which have been adopted by a manufacturer or merchant to identify his goods and distinguish them from those manufactured by others, where such misleading use is carried on, in the channels of interstate and foreign commerce, which is subject to regulation by Congress."

In applying the provisions of the Lanham Act, the Eighth Circuit Court had in mind the broad remedial purposes of the Act as declared by Congress:

"One is to protect the public so that it may be confident that, in purchasing a product bearing a particular trademark which it favorably knows, it will get the product which it asks for and wants to get. Secondly, where the owner of a trademark has spent energy, time and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats." S. Rep. No. 1333, 79th Conf. 2d Sess. 1-2 (1946), in U. S. Code. Cong. Serv. 1274 (1946).

### III.

#### The power of Congress to regulate unfair competition in interstate commerce.

The principal argument of Fruehauf is that since TESCO does not have a patent on any part of its Cornhusker 800 twin hopper bottomed trailer, it can be copied, in every detail, with impunity.

Fruehauf argues further that if the Lanham Act is construed and applied as it was by the Eighth Circuit Court, it is unconstitutional; in violation of Article I, Section 8, Clause 8, which authorizes Congress to enact legislation relating to patent protection for inventions.

Fruehauf cites the companion cases, *Sears, Roebuck & Co. v. Stiffel*, 376 U.S. 225, 11 L. Ed. 2d 661, 84 S. Ct. 784 (1964) and *Compco v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 11 L. Ed. 2d 669, 84 S. Ct. 779 (1964), for its proposition that since TESCO lacks a patent on any part of its Cornhusker 800, it can be copied.

In its *Sears* and *Compco* opinions, the Supreme Court discussed in some detail the ability of a state to enact legislation aimed at controlling unfair competition which might conflict with patent law, an area for exclusive federal control. The Supreme Court did not hold that a state could not enact effective legislation against unfair competition. The lower court decisions were reversed on the basis that they gave "... the equivalent of a patent monopoly on (an) unpatented" product.

The Lanham Act is of course not state legislation, but it is a federal enactment to proscribe unfair competition in interstate commerce.

To have any support for its theory, Fruehauf closes its eyes to the *fact*, unquestionable from the record, that the exterior appearance of the Cornhusker 800 is non-functional, intentionally designed by TESCO to identify its twin hopper bottomed trailer, and distinguish it from those made and sold by other manufacturers. TESCO has never sought to prevent Fruehauf from copying the functional, utilitarian features of its Cornhusker 800.

Cornhusker 800, like the twin hopper bottomed trailers sold by others, is purchased by truckers to haul grain and other bulk commodities. The reason the hopper bottomed trailer is preferred is because it unloads faster than level floor trailers. The funnel effect of the hoppers is a feature of every manufacturer's hopper bottomed trailer. Fruehauf argues that the hopper trailer could not have been built any other way, a strange statement in light of the fact that every other manufacturer's hopper bottomed trailer looks different than the Cornhusker 800 (Ex. Pl:8-14); Fruehauf's principal engineers, in research and development in Detroit said the Fruehauf copy should look differently (Ex. Pl:28); the new twin hopper designed by Mr. Pappas looks differently (Ex. Pl:54); and Mr. Pappas agreed he could have copied everyone of the Cornhusker 800 functional features and had the Fruehauf copy appear externally like the artist's drawings (Ex. Pl:49 & 50) which depict the way Fruehauf's Detroit engineers recommend the Fruehauf copy appear. Try as it might, Fruehauf's efforts, through the testimony of Mr. Pappas to refute the great mass of evidence, substantially all of it produced by Fruehauf, that the exterior appearance of the Cornhusker 800 is non-functional, fail.

This is not a patent case. This is a trademark and unfair competition case. This is the area of jurisprudence that must be examined and applied. With reference to legislation proscribing unfair competition, the *Sears* Court said:

"Doubtless a State may, in appropriate circumstances require that goods, whether patented or unpatented, be labeled or that other precautionary steps be taken to prevent customers from being misled as to the



source, just as it may protect businesses in the use of their trademarks, labels or distinctive dress in the packaging of goods, so as to prevent others, by imitating such markings, from misleading purchasers as to the source of the goods."

It is to be remembered that the Supreme Court was discussing the power of a *state* to enact legislation.

The Lanham Act and related federal enactments are a constitutional exercise of the power granted to Congress by the Commerce Clause, Article I, Section 8, Clause 3.

The intent of Congress in enacting federal legislation relating to unfair competition and trademarks, both registered and unregistered, is clearly stated:

"The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce, . . . to protect persons engaged in such commerce against unfair competition, . . ."

Title 15, U. S. C. A., Section 1127.

Mr. Justice Black, speaking for the Court in *Compco*, stated:

"As we have said in *Sears*, while the federal patent laws prevent a state from prohibiting the copying and selling of unpatented articles, they do not stand in the way of state law, statutory or decisional, which requires those who make and sell copies to take precautions to identify their products as their own. A State of course has power to impose liability upon those who, knowing that the public is relying upon an original manufacturer's reputation for quality and integrity, deceives the public by palming off their copies as the original."

Fruehauf has cited no authority, since none exists, for its theory that Congress cannot enact laws proscribing unfair competition and relating to the improper use

of trademarks in interstate commerce. The Lanham Act is constitutional. Its application by the Eighth Circuit Court was correct and should be affirmed.

#### IV.

#### **The amount of recovery awarded TESCO for the trademark violation and unfair competition by Fruehauf.**

Both the Trial Court and the Eighth Circuit Court awarded TESCO a portion of the profit received from the sale of the Hobbs copies of the Cornhusker 800. The Appellate Court granted TESCO all of Fruehauf's profits from sales in Nebraska, Iowa and Minnesota, the states wherein it determined TESCO had penetrated the market. (A-53)

Both the Trial Court (A-18) and the Eighth Circuit Court (A-48) reviewed in detail the decisions rendered by this Court and the various Circuits. The determination by the Eighth Circuit Court constitutes a proper application of the law.

After examining in detail the decisions rendered in the various Circuits, the Eighth Circuit Court stated:

"A distinguished panel of the Second Circuit had occasion to consider the extent profits should be recovered in a case of this kind in *W. E. Bassett Company v. Revlon, Inc.*, *supra*. There Revlon unilaterally determined that it could trade upon the goodwill of a competitor by coupling the latter's trademark with its own name and reputation in the manufacture and sale of a cuticle trimmer. Notwithstanding the fact that this infringement did not cause customer confusion, because the competitor was not manufacturing a similar product, and that Revlon's sales were not,



therefore, attributable to the unlawful conduct, an accounting of all of Revlon's profits was required because:

" 'It is essential to deter companies from willfully infringing a competitor's mark, and the only way the courts can fashion a strong enough deterrent is to see to it that a company found guilty of willful infringement shall lose *all* its profits from its use of the infringing mark.' (Citations omitted emphasis original.)

*Id.* at 664.

"While we do not read *Revlon* as authority for the proposition that all of the infringer's profits should be recovered in every case, we do find that result to be appropriate here.

"The District Court found that:

In the present case the evidence shows that [Fruehauf] deliberately copied the distinctive design of [TESCO's] hopper bottomed trailer, and it cannot be said that the defendant believed that no likelihood of confusion as to the source of origin of the trailer would occur in the marketplace. [Fruehauf] chose to copy the most distinctively designed hopper trailer sold in the marketplace in an attempt to divert sales from other competitors who manufactured a less identifiable product. [Fruehauf] deliberately fed upon the identification factors which were intentionally designed into the Cornhusker 800 trailer by [TESCO's] president. Willfulness and bad faith are clearly shown by the evidence of this case.

"This finding is supported by the facts. Fruehauf, without knowledge of or inquiry into the functional and nonfunctional aspects of the exterior design of the Cornhusker 800, copied exactly not only the superior functional qualities of the TESCO trailer but also the exterior physical characteristics by which that

good reputation was known to the purchasing public. It not only sought and received the benefits of TESCO's goodwill, but, by coupling the latter's reputation with its own well-known name, set upon a source of conduct which, in practical effect, would destroy the good reputation of TESCO. The award of only twenty percent of Fruehauf's profits is clearly inadequate to ensure that similar conduct will not reoccur in the future.

"Moreover, given the bad faith conduct of Fruehauf and the potentially devastating effect that conduct had on its weaker competitor, TESCO, we are hesitant to limit the award on the basis of the fine-tuned results of a post-infringement market survey. The decision to purchase a product, while usually justified by the objective criteria of performance, is often predetermined by the subjective factor of the product's good reputation previously existent in the marketplace.

"Accordingly, the judgment and order of the District Court is affirmed except as to the recovery of profits. As to that, the cause is remanded for entry of judgment in that amount which will award TESCO all of Fruehauf's profits from sales of the trailers copied from the Cornhusker 800 and trade-ins taken as part of the purchase price in the sale of those trailers in Nebraska, Iowa and Minnesota during the period of infringement." (A-51)

## V.

**There are no special and important reasons for granting review.**

As in the Eighth Circuit Court, Fruehauf here argues that it is privileged to copy TESCO's Cornhusker 800 so as to prevent a violation of the federal policy against the monopoly of *useful products*. Fruehauf attempts to con-

fuse the record concerning what is the *useful product*. It clearly is *not* the exterior appearance of the Cornhusker 800. The *useful product* is the twin hopper bottomed trailer. The Eighth Circuit Court's order in no way limits Fruehauf's right to manufacture and sell twin hopper bottomed trailers. Functionally, Fruehauf can market a precise copy of the Cornhusker 800. That fact alone should lay to rest the arguments of Fruehauf that the Court's decision is contrary to law.

The area of protection granted to TESCO is plainly limited to the nonfunctional exterior appearance of the Cornhusker 800, the trademark used exclusively by it to identify its unique, twin hopper bottomed trailer.

The Eighth Circuit Court made an exhaustive analysis of the decisions of this Court and those of the First, Second, Third, Sixth, Seventh, and Ninth Circuits. Its decision is not in conflict with any other reported case.

The Appellate Court stated:

"Full and fair competition requires that those who invest time, money and energy into the development of goodwill and a favorable reputation be allowed to reap the advantages of their investment. See *Kewanee Oil Co. v. Bicron Corp.*, 416 U. S. 470, 492, 493 (1974); 2 Callmann, *Unfair Competition, Trademarks and Monopolies* § 60.4 (b) at 516 (3rd Ed. 1968). As the legislative history of the Lanham Act states:

"Trade-marks, indeed, are the essence of competition, because they make possible a choice between competing articles by enabling the buyer to distinguish one from the other. Trademarks encourage the maintenance of quality by securing to the producer the benefit of the good reputation which excellence creates. To

protect trademarks, therefore, is to protect the public from deceit, to foster fair competition, and to secure to the business community the advantages of reputation and good will by preventing their diversion from those who have created them to those who have not."

"Senate Report No. 1333, 1946 U. S. Code Cong. Serv. 1275. To protect TESCO against the misappropriation of the exterior design of the Cornhusker 800, portions of which are nonfunctional and which is possessed of a secondary meaning, will be in furtherance of this Congressional purpose. *Potato Chip Institute v. General Mills, Inc.*, 333 F. Supp. 173, 179 (D. Neb. 1971), *aff'd per curiam*, 461 F. 2d 1088 (8th Cir. 1972); *L'Aiglon Apparel v. Lana Lobell, Inc.*, 214 F. 2d 649 (3rd Cir. 1954). Contrary to the situation in *Sears and Compco*, there is in the instant controversy no conflict with federal statutory policy. Fruehauf's contention that it is privileged to copy the exterior design of the Cornhusker 800 must fail." (A-36)

Upon examination of the record, it is quickly seen why Fruehauf seeks to disavow all of the evidence from its engineers and officers concerning the nonfunctional exterior appearance by the last testimony proffered through Mr. Pappas at the April, 1975, trial.

There is not, nor can there be, any real dispute that the exterior appearance of TESCO's Cornhusker 800 is nonfunctional. Yet in its Petition to this Court, Fruehauf argues that the public's interest will be affected adversely if it cannot copy with impunity the nonfunctional exterior appearance of its competitor's product. An appearance which is used solely for identification.

Fruehauf is clearly an unfair and unlawful competitor. It acted in bad faith and intentionally. The Lanham

Act proscribes such conduct and provides the remedy as granted by the Eighth Circuit Court.

This is not a patent case, it is an unfair competition case. Both the Trial Court record and the law as announced by every Federal Court which has spoken on the subject matter supports the decision of the Eighth Circuit Court.

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### CONCLUSION

The decision of the Eighth Circuit Court is correct. There is no basis for granting Fruehauf's Petition for a Writ of Certiorari. The Petition should be denied.

August 9, 1976.

Respectfully submitted,

**TRUCK EQUIPMENT SERVICE COM-  
PANY, Respondent,**

By: **THEODORE L. KESSNER**

400 Lincoln Benefit Building  
Lincoln, Nebraska 68508

*Its Attorney.*